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financial documents – the perspective financial plan and budget. Investment policy should be closely related to taxation and budget policy, debt policy, and public procurement policy. It is in this case that the most effective handling of public sector resources can be achieved.

To gain the effectiveness of budget investment management is only possible by adhering to certain principles, which include coordination between medium- and long-term social-economic policy and budget investment policy; unity of operating and capital expenditures; limiting the sphere of budget investments; application of the project approach and target program method; coordination between budget investment and debt policies. Following these principles will make it possible to prevent gaps in financing investment projects, handle budget resources effectively, and concentrate them on the most socially significant areas.

It is worthwhile to say that the centralized financial resources should be used to finance innovation projects that are vital for the country. It is also important to mention that investing public money should not necessarily be regarded as profit-making, since the funds should be used to support the initiatives of the social effect.

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economic and investment activities in regions, in particular direct investments in large business enterprises (e.g. investment support for large urban development enterprises), subsidizing commercial credit rates for business enterprises in order to promote a flow of investment into a region, furnish state guarantees for implementation of the most effective investment projects etc.

The world practice proves that the decisions on allocation of budget money to finance this group of projects involve a high risk of a public finance loss and go against public authorities functions. Ideally, the budget investment sphere should be limited to those investments which produce a social effect. This does not mean a complete refusal of the state to participate in commercial projects, but rather stresses that profit-making should not be budget investments' primary objective.

5. *Coordination between budget investment and debt policies.* The total amount of public capital investments must be restricted to the debt capacity of their budgets, which guarantees stability of financing and implementation of investment projects in due course.

The said principle can be realized on the following conditions:

- capital expenditure plans should match financial abilities throughout the entire period of their implementation and subsequent impact of the investments on the budget;
- all loans and other long-term liabilities, necessary to fulfill capital investment plans, must be made in terms of reasonable and firm debt policy;
- investment plans are drawn based on the analysis of a price-quality correlation, evaluation of capital costs effectiveness (including evaluation of consequences in case of renunciation of obligation fulfillment, procedures of task comparison according to set criteria, selection of projects);
- investment planning is performed within the framework of joint planning of assets dynamics and profile;
- investment plans should be linked to strategic aims expressed in long-term administrative programs;
- investment plans must be realistic.

Conclusions. The public investment policy should represent strategic and medium-term priorities of socio-economic development, and be fixed in key for both operating and capital expenditures, because it is this approach that can help to get a comprehensive view of each direction of expenditures, including the optimum correlation of capital and operating expenditures.

3. *Project approach to budget investment management*. The practice of market economy countries lays an emphasis on the purpose-oriented program method as the most significant instrument of an effective public investment management. However investment programs are formed on the project basis. By a project we mean a complex of organizational, technical, and financial arrangements made within the stipulated dates of commencement and completion of work, aimed to accomplish an objective.

Investment programs can comprise one or several projects linked with a common program goal. Using a project as a minimum structural unit of a program makes it possible to create a system of planning and monitoring of socio-economic effectiveness of the program costs by means of qualitative and quantitative indices.

4. *Restrictions of the budget investment sphere*. Normally, budget investment projects are divided into the categories of social projects, non-profit infrastructural projects, and commercial projects.

The group of social projects includes the projects of founding and development of budget institutions, which provide publicly financed societal services (hospitals, high and nursery schools, cultural institutions etc). These projects are related to regional and local authorities' performing their functions, and thus may not be subject to financing on a commercial basis.

The group of non-profit infrastructural projects comprises the projects aimed at development of economic infrastructure (construction and reconstruction of utilities – sewage collection systems, water and heat supply networks, gas pipelines etc.; public transportation development, building and reconstructing communications facilities – telephone communications etc.; construction and renewal of housing stock in communal ownership etc).

A specific feature of the above-mentioned projects lies in the fact that although their implementation does not always result in commercial advantage, yet they can and, with a certain degree of market institutions development, should be realized at the expense of private sources.

The group of commercial projects includes those aimed at stimulation of

For effective management of budget investments, it is necessary to have proper plans of capital investments made within the clear-cut limits of an activity, stable financing of these plans, and information support to public authorities as for possible failure to attain the goals in order to take the appropriate remedial steps.

The main tasks of budget investment management are as follows:

1) securing budget discipline (budget investment costs must be realistic and made strictly within the budget limits – i.e. never exceed the critical amount of debt, in compliance with all the restrictions pertaining to debt and budget deficit;

2) guaranteeing an effective allocation of investment resources (budget investment management should ensure fulfillment of strategic and other priority tasks of socio-economic development; it should also be focused on long-term budget planning;

3) ensuring an effective use of investment resources (by means of the project financing method, purpose-oriented program method, monitoring and control, and evaluation of effectiveness) [2].

The analysis of the Ukrainian and Russian scientists' research [2-8] has made it possible to draw a conclusion that accomplishment of the set tasks of planning and budget investment requires following the principles as below.

1. *Coordination between long- and medium-term socio-economic policy and budget investment policy*. Ideally, this coordination is realized within a year's budgetary cycle, the key point being a close interrelation between political decisions on priorities and budget resource allocation. Absence of coordination has an extremely negative impact on the effectiveness of investment expenditures and budget policy as a whole, since in that instance funds allocation among the main tasks of the socio-economic policy becomes incidental, inconsistent and oriented to meet current needs – to the detriment of long-term goals. Thus, accomplishment of medium- and long-term tasks of the socio-economic development in fact gets impracticable.

2. *Unity of operating and capital expenditures*. The processes of decision-making and budgeting of capital and operating expenditures should be integrated. Investment proposals should be evaluated in terms of the overall amount of capital expenditures and operating expenses. In the EU countries, every department of the Ministry of Finance responsible for one budget manager is also responsible

financing.

4) Frequent changes of the government strategy and orientation create an environment of uncertainty and make it difficult for organizations to implement policies and projects.
5) There is practically no concept of setting goals that are result-oriented and take into account economic assessment of options.
6) The selection process is extremely loaded politically and underestimated economically.
7) Corruption affects negatively the efficiency of public investment projects implementation resulting in increased construction costs, which are 23% higher than in Germany, 22% higher than the average costs in the EU member-states, and 20% higher than in the neighboring Poland.
8) Staff turnover in public service causes institutional instability, which hinders development of administrative capacity for managing public investment projects.

The above-mentioned factors reduce or nullify the social effect of budget investment. To increase the effectiveness of funds allocated from the budget and to support the innovation sphere, it is necessary to try to adhere to the principle of immediate results when the funds are invested to finance the existing innovation projects at the stage of implementation. In this case the effectiveness implies not only recovery of the invested money, but also a gain of the added value and profit.

Investments of budget means are inherently budget expenditures, and therefore general mechanisms for expenditure management can be applied. However, budget investment management has specific features of its own, associated with its irregularity (investment money spent on a project is not recovered automatically the following year after the investment project completion i.e. investment costs are always referred to budget liabilities) and its long-term nature. This specificity calls for special approaches to planning, evaluation and approval. Budget investments should be closely connected with strategy of the public sector development, long-term financial planning, and the debt policy of public authorities. All this requires a special approach to formation and management of investment projects and programs, conclusion of contracts with long-term prospects, as well as reconsidering the monitoring and supervision of investment expenditure effectiveness.

proves the social orientation of the budget and a trend toward financing capital expenditures on "the last thing" principle.

Therefore, we can claim that today budget investments are given little consideration. Specifically, it is capital transfers only that are actively employed in Ukraine; in 2010-2012 they amounted to almost 20 bln. UAH (about 1.5% of the GDP). Such means of real economy investment with budget money as contributions to statutory funds and investment credits are often ignored [1].

The issue of establishing the priority investment spheres remains unsettled despite a legislative formalization of the investment-innovative type of Ukrainian economy's development. Budget investment always faces a dilemma: whether to channel funds to the social sphere, or support the competitive ability of the real economy sector. Budget investment effectiveness should be based not on quantitative enhancement of investments, but rather on qualitative improvement of their composition with account of the necessity for coordination between socio-economic development programs and the state budget policy in order to set "a development-oriented budget" – not "a sending-down-the-throat budget".

For a long time the money obtained from privatization of public assets, which should be used for investment, has been spent on current consumption. Budget resources meant for investment have been dispersed among numerous state purpose-oriented programs, most of which were left unfunded due to lack of real financial sources, which obviously diminished the social and economic effects of budget investments.

Experts of the World Bank have identified a number of flaws in the Ukrainian public administration of public investments, some of which are critical and must be eliminated by means of a program of reforms [10], namely:

1) Lack of structured and complete system of public investment planning and management.
2) Absence of a clear institutional understanding of the basics of public investment administration, benefits of a better investment system, and the costs and risks of the actual system.
3) Absence of an established legal definition for a public investment project, which results in discrepancies between project management approaches, giving rise to subjectivism in project classification and inconsistency in their

Hungary – 7.4 %. Among 19 countries, the lowest index belongs to Georgia – 1.3 %, and the highest – to Belorussia – 8.9 % [12].

Planned and factual amounts of the capital expenditures of the state budget of Ukraine are shown in Table 2.

Table 2

Capital expenditures of the State budget of Ukraine in 2010-2012*

Costs	2010			2011			2012		
	Plan, bln. UAH	Fact, bln. UAH	Ful-filled, %	Plan, bln. UAH	Fact, bln. UAH	Ful-filled, %	Plan, bln. UAH	Fact, bln. UAH	Ful-filled, %
Total expenditures	324.8	303.6	93.5	355.5	333.4	93.8	427.0	395.7	92.7
Capital expenditures	29.7	21.1	70.8	43.7	31.2	71.4	45.0	29.5	65.5
Including expenditures for:									
capital construction	2.8	1.5	52.9	3.0	1.7	57.7	3.6	2.6	72.5
overhaul repair, re-construction and restoration	4.3	1.5	34.3	2.0	0.8	40.9	5.0	2.9	56.9
capital transfers	18.8	15.1	80.3	32.1	23.5	73.2	30.2	20.0	66.2
Specific weight of capital expenditures in the overall expenditures	9,1	6,9	-	12,3	9,4	-	10,5	7,6	-

*Based on [1, p.44]

The recent crisis has affected negatively realization of budget capital expenditures. Fulfillment of the capital expenditures plan in 2006, 2007, and 2008 equaled to 89.3%, 82.7% and 79.7%, respectively. That index lowed to 56.9% in 2009, and then rose to 71% in 2010-2011, while in 2012 it fell again to 65.5% [1]. On the other hand, the social expenditure indices come close to 100%, which also be regarded as an integral part of general investment resources of the social reproduction system.

Table 1

Composition of investment in the economy of Ukraine according to source of funding, %

Sources of funding	Year		
	2010	2011	2012
The State budget	5.8	7.1	5.8
Local budgets	3.4	3.4	3.1
Own funds of businesses and organizations	60.8	58.6	59.7
Funds of foreign investors	2.1	2.8	1.7
Citizens' funds for housing construction	11.1	7.5	8.8
Bank funds and other loans	12.3	16.3	17.1
Other sources	4.5	4.3	3.8
Total	100	100	100

Public investments in Ukraine are made in the following main forms: capital expenditures (development costs) of the state and local budgets, budget financing of state purpose-oriented programs, and investments made from developmental budgets of local budgets.

Budget funds of the state and local budgets are a significant investment resource, which in money terms amounts annually to about 45 bln. UAH [9, p. 200]. Their part in the total amount of investments in the recent years has reached about 10%; for comparison, in Russia it equals 19%, in Belorussia – 12%, in Kazakhstan – 21% [11]. In this context, it becomes especially important to realize the government plans as to putting a greater emphasis on the development of the public investment system, which requires a strict priority ranking of capital investments aimed at innovation projects implementation.

However, if we compare the specific weight of public investments in the GDP of transitional economy countries, we will see that Ukraine is at the bottom of that list. Thus, according to the average indices of 2009-2011 estimated by the World Bank experts, public investments in Ukraine equal to about 2 % of the GDP, while in Estonia – 4%, Russia – 4.1%, Slovakia – 5.2 %, Czechia – 6.2 %, and the social services sector;

- investment resources redistribution by furnishing individuals and economic entities with capital transfers;

- ensuring the economic growth and stabilization of economic processes with public investments in the priority industries of the national economy;

- promoting social development of the country, regions, and individual communities [7].

In general, a direct involvement of the state in investments can be effected as follows:

- development, adoption and funding of purpose-oriented budget programs;

- development, adoption and funding of investment projects realized on budget money;

- listing of construction and technical re-equipment facilities used for public purposes in order to finance them with the state budget funds;

- furnishing the investment projects financed by international financial organizations with state guarantees;

- rendering assistance in disbursement of loans given under the investment projects financed by international financial organizations;

- on the basis of a competitive bidding, allocation of a certain amount of budget means for implementation of investment projects (on terms of a charged use of budget funds, and their prompt disbursement);

- expert examination of the investment projects, realization of which involves, in one form or another, the use of budget funds;

- monitoring implementation of the investment projects that use budget funds;

- monitoring the use of budget funds for the specified purposes of investment projects implementation;

- issue of purpose-oriented debenture and government-backed loans;

- attraction of private funds for investment projects realization;

- development of private-government partnership for public investments [3].

Generally, investments in Ukraine are made out of own funds of businesses and organizations (see Table 1). At the same time, budget funds can

– 118.9%) [1, p. 38]. The trend speaks for strengthening of the budget's social orientation; however it is also indicative of a possible negative consequence – the exhausted economy.

According to scientists, an economic development model, which is based on stimulation of an effective consumer demand through the budget, has run its course, since it does not ensure investment demand. In particular, public loans are directed at raising the income of the poorest social layers that spend the money on basic consumer goods, including the imported ones. In this connection, it is proposed to change the economic development model and redirect it at channeling the attracted funds from consumption to investment [6]. Thus, the state budget is not only an estimate of revenues and spendings, but also a means of promoting the economic growth, a finance plan, which among other things is designed to create conditions for a long-term self-financing.

At present, the national legislation does not give any definition of budget investments or public investment activity. Neither Fiscal Code of Ukraine, nor the Law of Ukraine "On investment activity" gives clear definitions of these categories. Yet, in the Ukrainian scientific literature, there have been attempts to define budget (public) investments. In particular, T. Zatonatska proposes the following definition: budget investments are expenditures paid from state or local budgets, which are allocated to finance state purpose-oriented programs of economic, scientific and technological, and social development, programs of regional development or development of individual industries; as well as to back up investment projects, and buy shares or the right to participate in business management [4].

Budget investments are categorized as follows:

- Budget sector investments;
- Infrastructure investments;
- Social security investments;
- Real economy investments;
- Social purpose investments [5].

It should be mentioned that social purposes of budget investments are expressed in their functions manifesting themselves as:

- formation and replacement of fixed assets both in the economic sphere substantiation of the role of budget investments in the economic growth, setting tasks and principles for budget investment become the most urgent task of the public administration science.

Recent research and publications analysis. Theoretical and practical aspects of budget investment management, the budget policy mechanisms for stimulation of economic growth are considered in the works by I. Zapatrina, T. Zatonatska, O. Kyrylenko, V. Kudriashova, T. Lebeda, O. Shevchenko, L. Popel, and others. At the same time, the theoretical basis for administrative decision-making concerning stimulation and raising the effectiveness of capital investment, which is made at the expense of budget funds, needs further improvement.

The paper objective is to analyze the role of public funds in the Ukrainian investment processes; to help improve the theoretical basis for budget investment by means of specifying what part is played by the state in investment and systematization of tasks and principles for budget investment management.

The paper main body. From the economic theory perspective, one of the state's economic tasks is production of social goods. To accomplish this, the state possesses a certain amount of property and production assets i.e. social infrastructure facilities. Maintaining and enhancement of the social infrastructure for the maximum satisfaction of the demand for social goods under scarce budget resources is the main objective of budget investments, intended to create or increase by budgetary means the value of fixed assets and other property in public (communal) ownership.

Under the sovereignty of Ukraine, budgets have acquired a pronounced social orientation. Since 1995, the structure of budget expenditures has been changed in the line of a serious cutback of industrial funding with a simultaneous increase in the specific weight of expenditures for the social security and socio-cultural sphere. Analysis of the expenditure pattern of Ukraine's consolidated budget in 2007-2012 shows that financing social guarantees is a priority of the expenditure budget. The analysis of the Nominal GDP dynamics, general and social costs of Ukraine's consolidated budget has demonstrated that in the recent years the growth rate of social expenditures has exceed the rates of growth of the budget general expenditures and GDP (e.g. against 2011, in 2012 the growth rates were: for the GDP – 107.5 per cent; for the budget general expenditures – 118.2%;

RAISING THE EFFICIENCY OF PUBLIC ADMINISTRATION OF BUDGET INVESTMENTS

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The paper investigates the role of budget funds in the investment processes of Ukraine. The next step forward has been made to develop the theoretical basis for administration of the investment activity of the state by means of systemizing the tasks and principles for budget investment management.

Keywords: investment activity, social infrastructure, public investments, budget investments, budget investment policy, public administration of budget investments, operating and capital expenditures, debt management policy.

Problem setting A successful development of the economy is only possible when reproduction processes are based on investment. However in many instances the market mechanism is unable to ensure redistribution of funds to meet the national interests. In that case, economic development is greatly affected by both self-financing and investments made with the state and local budget money.

The current stage of Ukraine's economic development gives evidence of a drastic reduction in the state budget financing of the investment process. At the same time, the scope of the economic entities' investment activity, carried out with their own means, as well as the scale of international economic cooperation and size of foreign investments remain insufficient failing to meet the demands of the Ukrainian national economy. Taking this, further development of the theoretical basis for administration of the state investment activity by providing