

DOI: [10.55643/fcaptop.6.47.2022.3900](https://doi.org/10.55643/fcaptop.6.47.2022.3900)

Igor Lyuti

D.Sc. in Economics, Professor, Head of Finance Department, Faculty of Economics, Taras Shevchenko National University of Kyiv, Kyiv, Ukraine;
ORCID ID: [0000-0002-3561-2432](https://orcid.org/0000-0002-3561-2432)

Yuliia Petlenko

PhD, Associate Professor of Finance Department, Faculty of Economics, Taras Shevchenko National University of Kyiv, Kyiv, Ukraine;
e-mail: yulia_petlenko@knu.ua
ORCID ID: [0000-0001-5984-5145](https://orcid.org/0000-0001-5984-5145)
(Corresponding author)

Nataliia Drozd

PhD, Associate Professor of Finance Department, Faculty of Economics, Taras Shevchenko National University of Kyiv, Kyiv, Ukraine;
ORCID ID: [0000-0003-3867-9701](https://orcid.org/0000-0003-3867-9701)

Received: 13/10/2022

Accepted: 05/12/2022

Published: 30/12/2022

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THE IMPORTANCE OF OPENNESS AND TRANSPARENCY IN THE BUDGET PROCESS IN THE DEFENSE AND SECURITY SECTOR OF UKRAINE

ABSTRACT

The purpose of this paper is to describe and analyze the issues of openness and transparency of the budgeting process in the defense and security sector in Ukraine, which results in effective spending of budgets.

After Russia started a full-scale war against Ukraine, the international community is providing Ukraine with numerous financial support packages and ammunition. Therefore, one of the most important issues is strengthening the democratic control over the budget process in the defense and security sector of Ukraine, taking into account the new principles of information openness and its classification as a state secret. Here, the need to develop standards for transparent budgeting and the introduction of an open indicative system for monitoring and evaluating the budget process in the defense and security sector is particularly relevant.

The article provides an empirical description, uses data obtained from expert discussions and multidimensional evaluation approaches on openness and transparency of the budget process in the defense and security sector to enhance the effectiveness of military budget spending.

The paper develops conceptual approaches to ensuring the efficient use of budgetary resources in the defense and security sector by generalizing the practical implementation of the open and transparent budgeting principles, development of effective mechanisms for budget oversight, and compliance with standards of public accountability.

The paper focuses on the need for the implementation of budget transparency standards referring to the priorities of the Military Security Strategy of Ukraine with particular attention to the issues of openness and transparency of financial reporting at budgetary institutions. The study proves the prospects for the introduction of transparent budgeting standards in the defense and security sector, which is a fundamentally new approach able to strengthen corruption prevention and, in combination with other hybrid defense tactics, the military provision.

The study is performed under the project "Openness and transparency of budgeting in the defense and security sector of Ukraine", supported by the Ministry of Education and Science of Ukraine.

Keywords: budgeting, openness, transparency, defense and security sector, war, Ukraine

JEL Classification: F65, H61, H83

INTRODUCTION

The development of open and transparent budgeting in the defense and security sector of Ukraine is an important task for the further democratization of society. That is why the review of the literature related to such concepts as openness, transparency, effectiveness of budget spending allowed summarizing the key developments and best practices of open and transparent budgeting in different countries of the world. At the same time, it should be noted that under the present study special attention was paid to the

fact that openness and transparency in matters of expenditure management, as well as supervision over the effectiveness of the use of resources intended for the development of the military budget, which is a key component in the accountability of the government and budgetary institutions in the defense and security sector.

It should be taken into account that developed countries gradually established institutional foundations and developed processes of effective budgeting in the public finance sector as a whole and elaborated methodological principles for control over the budget spending and military budgets, while in Ukraine such processes began only after gaining independence and required significant public efforts in order to introduce the civil control over the spending of funds for military purposes. Today, these processes are still far from perfect, in particular due to corruption, overspending, inefficient planning, distribution, and spending of funds.

At the same time, the problem of promoting openness and transparency in the budgeting of defense and security sector institutions concerns not only Ukraine, but is relevant both for international organizations such as the UN Security Council, NATO, Interpol, etc., and for individual countries with developed democracies, and those where democratic foundations continue to be established and developed. Since helping to reduce corruption is an important element of building the institutional foundations for the promotion of democracy, it is also necessary to take into account that namely the corruption is a phenomenon that weakens the protection of defense capabilities and increases security risks for every country in the world and reduces trust and perception of the importance of military affairs in general. The neglect of the importance of civil control is quite often due to the traditional closedness of this area from society due to the privileged access to secret information, the supply of weapons, the provision of military personnel, and makes this sector susceptible to administrative and political abuses such as corruption, mistreat of power and even develops into interaction with organized crime.

It was these circumstances that caused the objective need for the further development of theoretical, methodological, and applied principles of open and transparent budgeting in the defense and security sector of Ukraine. The relevance of the issues of transparent and open budgeting of the military budget outlined above and the expansion of the range of scientific research in this important area became the basis for developing the focus of this paper.

LITERATURE REVIEW

At the current stage of the development of the economy of Ukraine, the main principles, which establish the foundations of ensuring national security include the openness and transparency of the main areas of defense and security sector spending, the effectiveness and continuity of control in the field of defense and security, in particular over the use of financial and material resources, and the participation of civil society institutions in its implementation.

Regardless of the field of study, the transparency debate has become a major topic on the agenda of almost all organizations, whether public or private, large or small (Hood, 2006). The issues of the theoretical and institutional foundations of the transparency and openness of the budgetary process of the defense and security sector require preliminary consideration of the economic essence of the concepts of transparency, openness, budget transparency, budget process, budgeting, and the connection of these concepts with ensuring democracy, anti-corruption activity, accountability and approaches to public administration in general, which, on the one hand, should determine the essence of such principles in ensuring the management of the budgetary process of the defense and security sector in the modern conditions of full-scale military aggression of russia in Ukraine, and on the other hand, their importance for supporting the effective functioning of the defense and security sector from the point of view of ensuring national interests.

Although the concept of transparency is increasingly popular in scientific literature, its meaning remains ambiguous. This is partly due to the fact that the concept is used in various aspects of information flow. In the literature on conflicts between countries (Chandy, L., & Kharas, H., 2011); Florini, A. (2007); Fox, J. (2006), it is stated that one country is transparent if the other manages to obtain information about public preferences and their corresponding support for government actions (Chandy, L., & Kharas, H., 2011; Petlenko, J.V. & Schehlyuk, B.P., 2014.) However, in the literature on international regimes (Grigorescu, A. 2003, Holzner, B., & Holzner, L., 2006), transparency refers to information, which all countries provide to international organizations. In research on corruption (Mulgan, R. 2007), O'Neill, O. 2006), transparency refers to the availability of information about corrupt practices in a country and how the existing set of anti-corruption measures can be implemented. In the political science literature (Grigorescu, 2003), the concept of transparency is related to the disclosure of information by governments to internal and external users. Piotrowski (2007) notes that transparency is generally defined as the flow of information open to society, and that research on transparency in the relationship between those who govern the state and citizens increasingly emphasizes the importance of this openness.

The author then adds his opinion, arguing that the transparency of government activity is equal to the openness of the government.

This allows us to conclude that transparency and openness are two categories that characterize the same objects. For a more convenient analysis, we have summarized the existing versions of definitions of transparency and openness in Table 1.

Table 1. Interpretation of the essence of transparency and openness. (Source: elaborated by the authors)

Author	Definition of the concept	Comment
Przeworski, A. (2010).	Transparency is a principle that allows citizens of the state to be informed about the activities of governments in order to protect public interests, accordingly, citizens can apply certain sanctions.	Emphasis is placed on the ability of governments to bear responsibility for their actions from a political point of view
De Boer, M. (1998)	Transparency (in its simplest form) is "the ability to see clearly through the windows of an institution"	An analogy is made with the openness of working procedures to external users to demonstrate the effective operation of a particular institution
Piotrowski, S. J. (2007)	Transparency is defined as the flow of information open to society, and research on transparency in the relationship between those who govern the state and citizens increasingly emphasizes the importance of this openness.	The author claims that the transparency of the government's activities is equal to the openness of the government
Grigorescu, A. (2003)	Transparency is a concept related to the disclosure of information by governments to internal and external users	Drawing an analogy with openness
Oliver, R.E. (2004).	Transparency is a concept that refers not only to what is communicated externally, but, above all, to what is correct to communicate "New transparency" - active disclosure of more and better-quality information, as opposed to passive provision of information on demand.	The author draws attention to the correctness of information before disclosure and the active position of governments
Speck, B.W. (2002)	Transparency is the basis for the practice of accountability, a tool for fighting against improper administration and corruption, strengthens public trust, allows citizens to have access to information about public administration.	The researcher provides an interpretation of a broad understanding of transparency in its relationship with the concepts of accountability, corruption, trust and public access to information
Alt, J.E., Lassen, D.D., Rose, S. (2006)	Transparency of government activity (in a broad sense) is an integral part of measures to improve public sector management since the early 1990s. Transparency of government activity (in a narrow sense) - the degree to which citizens, the media and the financial market can observe government strategies, their actions and results	Explain transparency from the point of view of the political perspective as the starting point of government activity
Moser, C. (2001)	Openness and transparency are obviously one and the same in the sense of the activity of lifting the veil of secrecy	Direct identification of the concepts of openness and transparency in the sense of disclosure of secret information
Holzner, B., Holzner, L. (2006)	Transparency is related to the provision of information and accountability, as it allows citizens to monitor the quality of public services and encourages governments to improve the quality of spending and services provided to citizens	Emphasis on the connection between transparency and accountability

As we can see, almost all definitions of transparency and openness clearly outline their most important features - the ability to disclose information of appropriate quality to a certain circle of interested groups of consumers. However, there are contradictions in the opinions of researchers regarding the degree of information disclosure and initiative.

In addition, it can be emphasized that transparency is a major tool for governments to increase trust in them, improve international relations, gain access to markets and credit, and reduce corruption, among other elements (Mulgan, 2007; Cuillier & Piotrowski, 2009; Relyea, 2009; Shuler, Jaeger & Bertot, 2010).

Nevertheless, transparency has not always been present in the governance models of authorities, it appeared only after the introduction of a model called Public Service Orientation (PSO), which, in addition to fairness, introduced accountability (holding the managers of public funds accountable).

To be effective, everything must be transparent (Philipps & Stewart, 2008). This change in goals from efficiency (quality) to accountability (fairness), as emphasized by Matias-Pereira, J. (2002), was due to the need to focus on the target audience, attributing to them, in addition to rights, as well as duties towards the state and other citizens. The author also emphasizes that another important element of the PSO model is that it is based on the decentralization of public services, which allows for the introduction of accountability, as well as the participation of citizens in determining public policy.

Speck (2002) correctly and in detail, from our point of view, revealed the important interrelationships of transparency and its importance, since, firstly, transparency is the basis for the practice of accountability; secondly, it is a tool to fight against improper administration and corruption; thirdly, strengthens public trust; and fourthly, it allows citizens to have access to information about public administration (Figure 1).

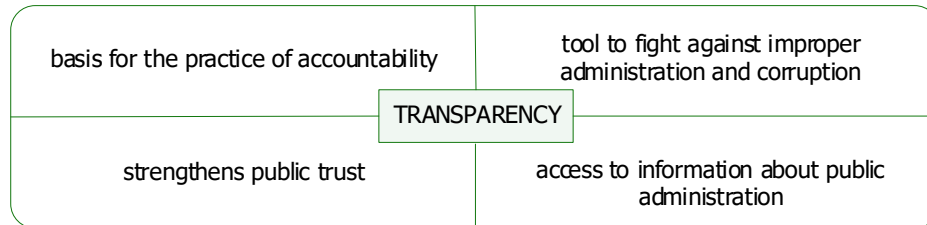


Figure 1. Interrelationships of the concept of transparency. (Source: compiled by authors according to Speck, 2002)

Agreeing with the previous author, Ball, C. (2009) suggests that the topic of transparency is beginning to cover accountability in the public discourse on effective governance. Complementing the opinions of previous scholars, Meijer (2009) points out that transparency should improve the activities of governments around the world, as it reduces corruption and increases accountability to citizens.

Adapted to political systems, transparency is a feature of the relationship between the subject and the governed, namely that the activities of government are sufficiently open to the public and simple enough in their basis that citizens can easily understand how and what the government does. Given these attributes, the term transparency is commonly used in the same sense as openness and is often associated with simplicity and clarity. Openness and transparency can also be seen as slightly different concepts, but they are usually compared because they both refer to a certain quality. Therefore, openness and transparency are obviously one and the same in the sense of lifting the veil of secrecy (Moser C., 2001).

The conducted observation revealed that transparency and openness combine the dichotomy of their manifestation. Namely, the citizens when using the channels open to them, sometimes come to the conclusion that they disagree with what is happening in everyday politics. Increasing democratic legitimacy by providing greater access to information can have delegitimizing effects. Outcome-oriented approaches emphasize that democratic legitimacy is best achieved by providing the optimal political outcome, namely rules, and laws at the request of citizens, who remain skeptical of the positive effects of participation and accountability through the greatest possible degree of transparency and openness. The same idea corresponds with the opinions derived from the expert discussions.

Therefore, ensuring access to information with the help of an effective policy of public transparency of the actions of government representatives becomes necessary for citizens to become allies of controlling institutions in the implementation of the function of caring for the integrity of administrators of public funds.

Summarizing modern theoretical approaches to the content of the categories transparency, openness and related concepts, the following main conclusions can be drawn: 1) definitions of transparency and openness differ in various approaches: from a narrow perspective of simple and clear procedures to such a broad interpretation, as effective access of the population to the decision-making process, but emphasize the peculiarities of the main idea - the provision of information of a certain quality, 2) transparency is mostly used in the same sense as openness, and is associated with a certain quality of information disclosure, 3) the common denominator of different approaches to the interpretation of concepts can be defined as the connection of transparency and openness with legitimacy, which focus on the transparency of political institutions in their relations with civil society, whether private individuals or business interests, mass media or elected representatives, 4) transparency and openness are linked to a specific document access tool that is intended for achievement of a specific goal within a specific institutional system.

AIMS AND OBJECTIVES

The strengthening of open and transparent democratic control over the budget process of managers of budget funds in the field of defense and security of Ukraine should be carried out on the basis of new principles of openness of information and harmonious balancing with the need to ensure compliance with state secrets. In this regard, the task of developing the principles and standards of transparent budgeting in the defense and security sector becomes particularly important. The aim of the article is to substantiate conceptual approaches to ensure openness and transparency in the budget process

in the defense and security sector, which contributes to strengthening its accountability and more effective use of military budgets.

METHODS

The article provides an empirical description and uses data obtained from crowdsourcing, online interviews, and expert discussions on the budgeting process and financial support for the defense and security sector of Ukraine. We apply expert observation and multidimensional evaluation approaches to identify actions and decisions on openness and transparency of the budget process in the defense and security sector to enhance the effectiveness of military budget spending.

To fulfill the aim of substantiating conceptual approaches to ensure openness and transparency in the budget process in the defense and security sector, this article mainly focused on empirical methods to systematically collect and analyze the data on the budget process practices (observation and evidence) within the framework of secondary analysis and qualitative assessment in terms of transparency/openness. At the same time, multidimensional evaluation allowed making use of verifiable evidence to elaborate the main principles of implementing a process approach for open and transparent control over the budget process to arrive at research outcomes.

Namely, crowdsourcing, online interviews, and expert discussions were applied as qualitative methods to interpret the meaning of particular ideas or views. Under the crowdsourcing method, specific audience segments were targeted, which allowed members of the public to contribute ideas and time to the assessment of the budgeting process and financial support for the defense and security sector of Ukraine despite not being formally trained experts. In order to get a comprehensive overview, we approached a broad sample of means, including the information and opinions from a large group of people who submit their data via the official Internet web portals and/or social media pages of the Parliamentary committee on corruption prevention and counter-action, National Defence and Security Council, Ministry of Defence and General Staff of Armed Forces, Security Service, Ministry of Interior, National Guard of Ukraine, State Border Guard Service, law enforcement bodies, military formations (for example, Territorial defense on the official web-portal of Kyiv), military educational establishments (for example, National Defense University of Ukraine, Military Institute of the Taras Shevchenko National University of Ukraine, etc.), civil society organizations and non-governmental organizations, etc. The crowdsourcing method allowed us to collect and analyzing the data on a much larger scale involving efficiency gains in terms of speed, gathering data in real-time and obtaining numerous and widespread observations, as well. This drove us to understand the perspectives of the public on the state of affairs in the awareness of the information on the financing of the defense and security sector of Ukraine in general.

On the other hand, it was very important for the sake of the credibility of the conducted research to ensure and maintain the data quality, as well as scientific rigor. Here, expert discussions were used to evaluate and reconceptualize the existing state of transparency and openness in the budget process of the defense and security sector. We selected the range of interviewees based on three criteria: a) affiliation with the organization or the agency within the defense and security sector; b) affiliation with the budgeting and/or financial planning process; c) engagement with disclosure of information in the organization or agency.

We defined the standards to characterize useable data, that could be applied toward satisfying our research goal. Firstly, we studied the available internal documents that were published by the agencies on the internet. Secondly, we conducted the interviews with representatives of organizations and agencies according to the criteria, described above. Third, when conducting the interviews, we asked our interviewees to fill in a questionnaire, which was provided before the interviews. We used the semi-structured method for interviews, namely, we provided the list of topics to discuss, simultaneously leaving space for some additional topics, which appear in the process of the interview. The same approach was used to hold the expert discussions, which were worked out verbatim and analyzed afterward.

Finally, we ensured that there is alignment between the incoming data from a target audience, interviewees, and other experts, which increased the credibility and allowed achieving our goals.

RESULTS

It is obvious that the influence of state institutions on state policy in any area of social life depends on the general level of social organization, the desire and ability of the public, and various associations to implement in practice the democratic rights and freedoms of the country proclaimed by the Constitution. Such influence is largely determined by the financial

and organizational independence of civil society institutions and the presence of mechanisms of influence on the development and implementation of national security policy. One of the key areas of such influence is via budgeting, the budget process, and budgetary procedures in the defense and security sector, according to the interviewees. All the qualitative methods (crowdsourcing, online interviews, and expert discussions) of our study proved the importance of the civil society institutions' organizational framework to promote the views to the national level of security.

Systematic collection and analysis of scientific literature in transparency and openness resulted in choosing the most relevant academic sources to assess. In particular, a number of scholars who study transparency (Alt & Lassen, 2006; Bernoth & Wolff, 2008; Hallerberg & Wolff, 2008; Heppke-Falk & Wolff, 2008) have emphasized that the process of developing budgets and reports becomes more transparent with the corresponding control mechanisms, which, at the same time, limit corruption and unjustified expenses. Also, budget transparency has become the main topic of international development discussions (Pallas & Urpelainen, 2011; Chandy & Kharas, 2011). The budget, as a financial plan, covers all aspects of the activities of the organization (Kapustian, O., Petlenko, Y., Ryzhov & A., Kharlamova, G., 2021), its structural divisions and other centers of financial responsibility (CFC) for a specific period, it defines probable income and expenses, sources of financing, conditions for the receipt of funds, the procedure for spending funds by type of activity.

Numerous conceptual documents of international institutions, such as the United Nations (UN), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the International Organization of Supreme Audit Institutions (INTOSAI), etc. emphasize the need to ensure openness in the field of public finance management and budget transparency.

The International Monetary Fund, the World Bank, the Organization for Economic Cooperation, and other international organizations are reviewing standards and best practices for assessing budget transparency, resulting in many new initiatives, and budget transparency is becoming mainstream. The information, made available by these organizations fits into the overall standards to characterize useable data, that could be applied toward satisfying our research goal. That is why we studied the available documents that were published by institutions on the internet. Afterward, we included the obtained pieces of information in the questionnaire to be answered by our interviewees.

Many of our respondents noted the importance of the fact that in 2014, the International Monetary Fund revised the Fiscal Transparency Code, which defined a set of clear principles assessed by a matrix of practices. That is, each indicator in this matrix is evaluated from the point of view of compliance with existing budget reporting as basic, relevant, or best practice. In other words, there is a certain set of tools, the use of which is recommended by international organizations to ensure budget transparency, but there is still no single standard. That is why these tools must be adapted to the interests of specific users in a specific country.

Traditionally, the quality of the public finance management system is assessed through indicators of overall economic and budgetary stability, cost allocation efficiency, and operational efficiency. Thus, the IMF defines budget transparency as "completeness, clarity, reliability, efficiency, and relevance of state financial reporting and public openness of the decision-making process in the field of financial policy". In 2012, the UN adopted High-level Principles on Fiscal Transparency.

One of the ratings that use criteria to assess public access to information about the central budget is the Open Budget Survey. It assesses public access to information about how the central government raises and spends public resources. It provides an assessment of the availability, timeliness, and completeness of 8 key budget documents using 109 equivalent indicators and scores for each country on a scale of 0 to 100.

In 2019, Ukraine's budget openness index reached 63 out of 100, which is higher than the world average of 45, and in 2021 - 65 out of 100 (Open Budget Survey). An Openness Index of 61 and above indicates that the country is likely to publish enough material to support a meaningful public discussion of the budget.

The implementation of the principles of openness and transparency is foreseen by a number of normative legal acts of Ukraine, as well as by long-term strategies for the state's development. In Ukraine, there is currently a considerable number of normative legal acts regulating the availability of information to the public about the budget. To date, the necessary legislative provision of budget transparency has been formed in Ukraine, enshrined in the Constitution of Ukraine from 28.06.1996 No. 254k/96-BP, the Budget Code of Ukraine from 08.07.2010 No. 2456-VI, the Law of Ukraine "On Information" from 02.10.1992 No. 2657 -XII, the Law of Ukraine "On Access to Public Information" from 13.01.2011 No. 2939-VI, the Law of Ukraine "On Open Use of Public Funds" from 11.02.2015 No. 183-VIII, Decree of the President of Ukraine "Issues of ensuring access to public information by executive authorities" from 05.05.2011 No. 547/2011 and other normative acts.

Thus, the main norms of these documents, related to ensuring budgetary transparency, are given in the Constitution of Ukraine from June 28, 1996, No. 254k/96-BP. Namely, Section II. Rights, freedoms, and responsibilities of a person and a citizen, Article 40 guarantees the right of citizens to appeal to local self-government bodies, the obligation to consider these appeals, and provide a reasoned answer. The Budget Code of Ukraine from 07/08/2010 No. 2456-VI in Article 7. The principles of the budget system of Ukraine define the content of the principle of publicity and transparency in the establishment of the budget system. In Article 28. Availability of information about the budget, the obligation to publish and publicly present information about budgets are established; requirements for the composition of such information are defined. Article 116. Violation of budget legislation - it is determined that violation of established requirements regarding the publication and availability of information about the budget is recognized as a violation of budget legislation.

The Law of Ukraine "On Information" from October 2, 1992 No. 2657-XII, Article 5. The right to information - defines the right to information as the possibility of freely obtaining, using, distributing, storing, and protecting information necessary for citizens to exercise their rights, freedoms, and legal interests. Article 6. Guarantees of the right to information - defines the ways of ensuring the right to information and establishes the obligation to inform the public and mass media by the subjects of authority about their activities and decisions.

The Law of Ukraine "On Access to Public Information" from 13.01.2011 No. 2939-VI stipulates certain restrictions on the rights to information, namely Article 4. Principles of Access to Public Information defines the principles of transparency and openness of the activities of subjects of authority powers; free receipt, distribution, and any other use of information; equality. Article 15. Disclosure of information by managers establishes the obligation of managers to publish information: about financial resources (structure and amount of budget funds, order and mechanism of their spending, etc.); regarding adopted normative legal acts, and draft decisions that are subject to discussion. Section IV. The implementation of the right to access the information upon an information request determines the procedure for processing requests for information, the term, and the order of their consideration.

The Law of Ukraine "On the Openness of the Use of Public Funds" from 11.02.2015 No. 183-VIII, Article 2. The Unified Web Portal for the Use of Public Funds determines those responsible for publishing information on the Unified Web Portal for the Use of Public Funds; establishes requirements for information: completeness, truthfulness, accuracy, real reflection of actual data as of the relevant date or for the relevant period of time; determines the subject of the administration of the Unified web portal for the use of public funds. Article 3. The content of information on the use of public funds subject to publication and the terms of its publication determines the composition and content of information on the use of public funds subject to publication, the terms of its publication; establishes the mandatory and free publication of this information on the Unified web portal for the use of public funds. Also, the need to provide free access to information, the possibility of anonymous viewing, copying, and printing are indicated. Section 4. Liability for violation of requirements determines those responsible for non-disclosure or untimely disclosure of information, disclosure of unreliable, inaccurate, or incomplete information about the use of public funds.

Decree of the President of Ukraine "Issues of ensuring access to public information by executive authorities" from 05.05.2011 No. 547/2011 defines the tasks of executive authorities to ensure the unconditional implementation of the Law of Ukraine "On Access to Public Information", the implementation of the constitutional right of citizens to freely collect, store, use and distribute information.

Currently, the system of legal regulation of the transparency of the budget process in Ukraine is imperfect. At the same time, the expert discussions resulted in understanding the unresolved questions regarding specifically defined mechanisms for public participation in the implementation of budget policy, and effective budget supervision, which could ensure reliable protection of public interests and guarantee openness and transparency at every stage of the budget process in the field of defense and security.

As the purpose of budget transparency is to increase the effectiveness of economic policy by eliminating uncertainties in the public finance sector and strengthening external control. In this context, budget transparency helps to increase the efficiency of public spending, improves access to external financing, and reduces budget risks. The main tools to increase transparency include the publication of budget reports and compliance with international standards.

Given the rapid development and changes in modern budgeting, the introduction of new technologies in the budgeting process, an accurate description and relationship of individual elements lay the foundations for the successful further study of such a complex and dynamic object as budgeting.

Incorporating the results of both theoretical and legislative examination along with expert opinions, we offer the following visualization of the connection between the stages of the budget process with the budget cycle, budget period, budgeting, and budget control (Figure 2).

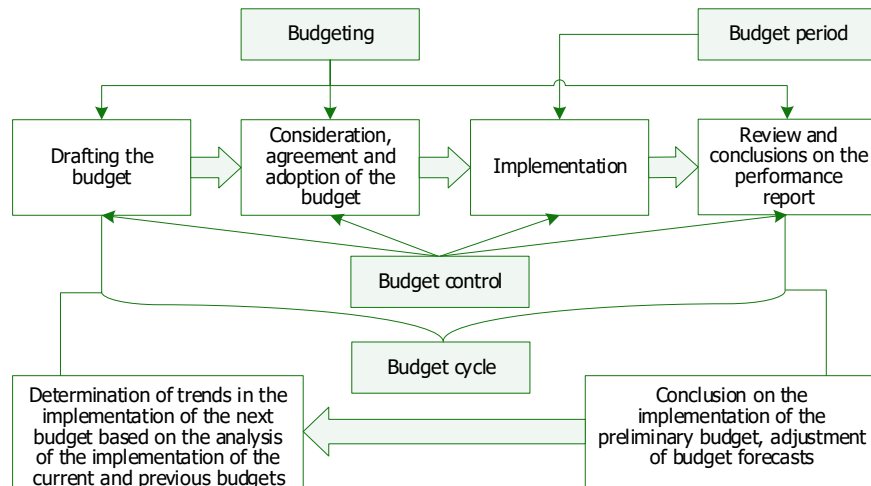


Figure 2. The relationship between elements of budgeting and the budget process.

Thus, the stages of the budget process are included in the budget cycle, and the budget is implemented during the budget period. Budgeting and budget control are tools that ensure the budget process at all its stages. Usually, at the beginning of each separate budget cycle, budget forecasts are adjusted based on the results of the analysis of the implementation of past budgets and the progress of the implementation of the current budget. The results of the review of the budget implementation report serve as an indicator of the effectiveness of budget policy implementation, as well as a basis for the next budget planning.

Given that the institutional foundations of transparency and openness are provided by the organization of public administration, the transition to the market-based ground of activity and quality control is achieved by means of changes in budgeting methods and concepts.

DISCUSSION: THEORETICAL SUBSTANTIATION OF THE KEY PRINCIPLES OF OPENNESS AND TRANSPARENCY OF PUBLIC SPENDING IN THE DEFENSE AND SECURITY SECTOR

The beginning of Russia's open aggression against Ukraine, which turned into a bloody war, made it necessary to accumulate significant material, moral, informational and financial aid from the whole world. That is why the issue of openness and transparency of budget expenditures for the defense and security sector has become even more relevant.

The performed multidimensional evaluation, followed by the verification of evidence allowed us to arrive at the research outcomes. Taking into account the fact that during the last decade, the active implementation of methodological principles of new public finance contributed to a significant expansion of the role of economic management, state regulation, and supervision. The adoption of 10 principles of public spending management became the basis of effective public management of the budget process (Table 2).

It is important to understand that these are the ideals that civil servants should have in front of themselves, aimed at implementing the strategy of sustainable development and ensuring a green transition by 2030 within the specified time frame (The International Budget Partnership, p. 164). To date, no system of public spending in the world receives the highest marks for all 10 principles, although since 2008 transparency indicators have generally increased by 20% (The International Budget Partnership). The essence of the application is to gradually improve their compliance at the implementation stage. Therefore, there is no reason for the defense and security sector to violate any of these principles. However, the way in which they will be implemented for the defense and security sector may be slightly different, as accountability and control are as important for the defense budget as for another public spending. It is also obvious that the activation of the principles of information openness and transparency will contribute to the prevention of corruption and ineffective use of budget spending in the defense and security sector.

Table 2. Key principles of the public spending management. (Source: summarized by the authors based on Guidance, 2018)

Comprehensive-ness	The budget must cover all financial operations of the government; extra-budgetary expenses and receipts are prohibited
Discipline	Decision-making is carried out taking into account the available real resources in the relevant time horizon; the budget can redistribute only those resources that are necessary for the implementation of public administration policy within the limits of budget assignments and allocations
Legitimacy	Politicians who directly influence the formation of strategies for the development of public finances should participate in their implementation and coordinate the compliance of operational plans with the main strategic goals
Flexibility	Decisions should be made by those who have access to all the necessary information; from the operational point of view, this means that managers have the authority to make management decisions and ministers are given greater authority to make operational decisions in the implementation of the programs assigned to the ministry
Predictability	The priority of public finance is to ensure stability in general and long-term policy, as well as financing of current policy measures
Competitiveness	All public areas of the economy must compete equally for access to financing during the planning and approval of the budget for the following periods
Honesty	The budget should consist of unbiased forecasts on revenue and spending
Information openness	The medium-term base level of aggregate expenditure, against which it is possible to assess the impact of changes in current policy on the budget, and to obtain accurate information on budget spending, audit results should be open and available to the public
Transparency	Decision makers must have all the information they need to make a decision; these decisions and their reasons must be made public
Accountability	Decision-makers are responsible for the implementation of the powers assigned to them

Considerable attention of the international public in today's conditions is drawn to military budgets, since a significant part of the funds in countries is directed to the fulfillment of defense orders, which also includes spending on the security sector, and therefore budgeting in the defense and security sector constantly needs to improve the budget process and development of methodological principles of open and transparent management. That is why, according to the conclusion of the British Department for International Development set out in "Security sector reform and the management of defense expenditure: a conceptual framework" and the Global Anti-Corruption Program (GACP), spending on defense and security requires the development of an integrated approach to management. Such an approach, known as a "process" or "managerial" approach, combines good governance practices and principles of sound financial management with security considerations and is developed on the basis of institutional theory both to manage trade-offs between different sectors and to effectively manage defense and security sector resources.

Of course, there is no guarantee that the new approach will significantly optimize or even reduce defense and security spending in a short period of time, and as we have seen from the example of Ukraine, the policy of reducing costs for the sake of budget savings can cost the state too much, undermine not only its plans in relation to sustainable development, but on the contrary, turn into a tragedy for several generations, with the loss of not only material or financial resources, but also to receive significant human casualties, including children and young people of productive age. This example shows that there is a certain volume of medium-term expenses of the military budget, which, although growing in real terms, in the long term ensure the sustainability of social development. Therefore, there are two key advantages of implementing a process approach in the management of budgetary financing of the defense and security sector.

The first advantage is to specify the costs for the development of the military budget under the clearly defined circle of the main administrators and the search for an optimal compromise between defense and security spending and other sectors of the economy. Thus, the determined volume of budget allocations for particular administrators of funds can demonstrate the justification of incurred costs, and in the long run, assess the quality and reliability of defense sector services. In the end, open data can show whether a sufficient amount of money has been allocated to the defense and security of the state, and how open data is transparent, from the point of view of the entire budgetary process in the defense and security sector.

The second advantage explains how the process approach based on the principles of public finance management (see Table 2) allows all stakeholders - creditors, donors, and own citizens to assess the comparability of the level of military spending and the volume of military needs, especially where spending limits are established or where data is classified.

So, the main principles of implementing a process approach for open and transparent control over the budget process, defense, and security sector spending, their sufficiency and effectiveness can be the following:

- Full funding. The amount of financing of the military budget, which includes expenditures on the defense and security sector, is determined by the government and controlled by society through the instrument of civil control, for example, agreements between the managers of budget funds and the parliamentary committee responsible for the supervision, forecasting and strategic planning of the defense and security sector development.
- Establishment of a sustainable ecosystem of the defense and security sector. Implementation of this principle is carried out on the basis of constant monitoring and adoption of preventive measures regarding the sustainability of the defense and security sector, including assessment of the impact on ecology, the environment, and social development.
- Legitimacy of decisions. All decisions in the defense and security sector must be made within the Constitutional and legal framework, and the adopted decisions must be implemented gradually taking into account the general impact on the stability of social development.
- Predictability of challenges. This principle will make it possible to implement a system of reserving funds to finance unforeseen challenges related to global challenges, pandemics, climate changes, natural anomalies, air pollution, etc. The typology of such challenges and the forecast volume of such resources should be provided in separate program documents, indicating the sources of financial resources that must be constantly maintained in liquid form.

CONCLUSIONS

Thus, the introduction of transparent and open budgeting in the defense and security sector should focus primarily on determining the appropriate scale of necessary resources to counter current challenges, and predictability, as well as the use of an effective tool of democratic civilian oversight and control over the defense and security sector. Such a procedural approach will allow clearly structuring of responsibility, decentralizing it at the level of responsible administrators, and ensuring the implementation of open and transparent public information based on the results of the military budget audit after the established period. A structured defense and security sector will make a significant contribution to the country's development, stimulate the innovative production of dual-purpose goods, and provide additional jobs and tax revenues to the respective local communities and the state in general.

ADDITIONAL INFORMATION

FUNDING

This research was partially funded by the Ministry of Education and Science of Ukraine according to the project "Openness and Transparency of Budgeting in the Defense and Security Sector of Ukraine".

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Лютий І., Петленко Ю., Дрозд Н.

ВАЖЛИВІСТЬ ВІДКРИТОСТІ ТА ПРОЗОРОСТІ БЮДЖЕТНОГО ПРОЦЕСУ В СЕКТОРІ ОБОРОНИ ТА БЕЗПЕКИ УКРАЇНИ

Після того, як Росія розпочала повномасштабну війну проти України, міжнародне співтовариство надає Україні численні пакети фінансової підтримки та озброєння. Тому одним із найважливіших питань є посилення відкритого та демократичного контролю за бюджетним процесом у секторі оборони та безпеки України з урахуванням нових принципів відкритості інформації та віднесення її до державної таємниці. У зв'язку з цим особливо актуальною є необхідність розробки стандартів прозорого бюджетування та запровадження відкритої індикативної системи моніторингу та оцінки бюджетного процесу у секторі оборони та безпеки.

У статті наведено емпіричний опис, використано дані експертних дискусій та підходи до багатовимірної оцінки відкритості та прозорості бюджетного процесу в секторі оборони та безпеки для підвищення ефективності використання військових бюджетних коштів.

У роботі розроблено концептуальні підходи до забезпечення ефективного використання бюджетних ресурсів у секторі оборони та безпеки шляхом узагальнення практичної реалізації принципів відкритості та прозорості бюджетування, розробки ефективних механізмів бюджетного нагляду, дотримання стандартів публічної підзвітності.

У роботі акцентовано увагу на необхідності впровадження стандартів бюджетної прозорості з посиланням на пріоритети Стратегії воєнної безпеки України з особливою увагою до питань відкритості та прозорості фінансової звітності бюджетних установ. Дослідження доводить перспективи запровадження стандартів прозорого бюджетування у секторі оборони та безпеки, що є принципово новим підходом, здатним посилити запобігання корупції та, у поєднанні з іншими тактиками гібридної оборони, військове забезпечення.

Дослідження виконується в рамках проекту «Відкритість та прозорість бюджетування в секторі оборони та безпеки України», за підтримки Міністерства освіти і науки України.

Ключові слова: бюджетування, відкритість, прозорість, сектор оборони та безпеки, війна, Україна

JEL Класифікація: F65, H61, H83