

DOI: [10.55643/fcapter.3.50.2023.4031](https://doi.org/10.55643/fcapter.3.50.2023.4031)
Nina Petrukha

Candidate of Economic Sciences,
 Associate Professor of the Department
 of Management in Construction, Kyiv
 University of Construction and
 Architecture, Kyiv, Ukraine,
 ORCID: [0000-0002-3805-2215](https://orcid.org/0000-0002-3805-2215)

Serhii Petrukha

Candidate of Economic Sciences,
 Associate Professor of the Department
 of Management in Construction, Kyiv
 University of Construction and
 Architecture, Kyiv, Ukraine,
 e-mail: psv03051984@gmail.com
 ORCID: [0000-0002-8859-0724](https://orcid.org/0000-0002-8859-0724)
 (Corresponding author)

Nataliia Alekseienko

Applicant of the Department of
 Management in Construction,
 Kyiv University of Construction and
 Architecture, Kyiv, Ukraine,
 ORCID: [0000-0002-6497-6526](https://orcid.org/0000-0002-6497-6526)

Oleksandr Kushneruk

Applicant of the Department of
 Management in Construction,
 Kyiv University of Construction and
 Architecture, Kyiv, Ukraine,
 ORCID: [0000-0002-0691-2268](https://orcid.org/0000-0002-0691-2268)

Anastasiia Mazur

Applicant of the Department of
 Management in Construction,
 Kyiv University of Construction and
 Architecture, Kyiv, Ukraine,
 ORCID: [0000-0003-3073-6134](https://orcid.org/0000-0003-3073-6134)

Received: 29/03/2023

Accepted: 29/05/2023

Published: 30/06/2023

© Copyright

2023 by the author(s)



This is an Open Access article
 distributed under the terms of the
[Creative Commons CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/)

SOCIAL IMPERATIVES OF PUBLIC FINANCE: WAR ADAPTATION AND PRINCIPLES OF POST- WAR RECOVERY

ABSTRACT

The article examines the quantitative and qualitative characteristics of state finances in martial law conditions and the need for resource provision of the military "face" social protection system for the population, including those affected by the consequences of the war, the identification of probable social and resource challenges and threats in the short term, as well as further inertial – regulatory progress in their development. For this purpose, general-centric and sector-adaptive scientific methods of cognition are used, the core of which is a systematic approach to the study of mutual influence and the interrelationship between the triad: public finances – military economy – social policy. It was established that the existing society's "face" of state finances provides adequate social protection for Ukrainians in difficult life circumstances caused by the Russian Federation's military aggression. His historiography is based on an extensive model of social policy, which dates back to Soviet times and takes place under the slogan "the more benefits, subsidies and social benefits are given to citizens, the better is the manifestation of the state's concern for its citizens." However, the specified model in the conditions of martial law creates a threat to the transition of state finances into an unbalanced and unstable form, ensuring the flow of their state from social "health" to "weakness". The article proposes a number of objectives for maintaining the state finance social "health" during the period of martial law and post-war recovery and formulates a new social model in the post-war recovery paradigm of Ukraine – compliance with the principles and standards of social policy in EU member states, improvement of the human life quality, opposition to demographic changes, increased levels of social protection and social unity, help to reduce poverty, help in overcoming discrimination in all forms of its appearance with maximum parity with the financial capabilities of the state.

Keywords: public finances, social protection, budget regulation, martial law, post-war reconstruction, the war economy, war finances, food, poverty

JEL Classification: H12, H53, H55, I32, I38

INTRODUCTION

The war in Ukraine posed an unorthodox set of socio-economic, financial-budgetary, monetary and political challenges of a crisis-like nature to Ukraine, and additionally gave rise, on the one hand, to the previously little-studied functioning phenomenon and institutional capacity of state institutions to carry out regulation processes under martial law conditions, and another, was determined by the further role issue of the current economic development paradigm and its resource-supporting Strategy for reforming the public finance management system for 2022–2025 [31; 33; 36–37] for recovery from the consequences of the war, taking into account the unfinished process of architecting a new budget system and the absence of a basic regulatory document on the specifics the functioning of state finances in the martial law conditions. At the same time, according to the World Bank, as a result of the invasion of the Russian Federation on the territory of Ukraine, it is predicted that the world economy in 2022 will grow by only 2.9% [47] against the previous forecast of 4.1% [47], the Organization for Economic Cooperation and Development – from 4.5% to 3% [21], which, against the background of the inertia of the consequences of the COVID crisis, causes a global recession – "the

three-headed hydra of energy, food and debt, will lead to the collapse of family incomes and public services in many developing countries" [44]. That is, the military invasion of Ukraine unbalanced the financial and economic balance of recovery processes in developed countries, emphasizing the COVID-adaptability of the implementation of infrastructure projects, measures aimed at preserving the socially oriented vector of stabilization and ontogenesis of the economy, in particular the transparency and accountability of unemployment benefits, other social and fiscal measures aimed at to achieve the UN Global Sustainable Development Goals by 2030, the objectives of the Plan for the recovery of Ukraine from the consequences of the war [8].

In this context, an important aspect during the war is the implementation of social policy based on distribution, that is, the ability of authorized bodies to carry out their activities, the core of which is redistributive processes aimed at overcoming socio-economic inequality between different sections of the population. In this regard, in the conditions of martial law, it is necessary to coordinate the two most important areas of state policy – budgetary (in particular, through the Strategic Plan of the Ministry of Finance of Ukraine for 2018–2021 [15]) and social (Strategic Plan of the Ministry of Social Policy of Ukraine for the 2022 year and two budget periods coming as planned (2023–2024 [30])). Today, the effectiveness of social policy directly depends on the amount of funds in the budget, and their implementation should be built in such a way as to ensure minimal opportunities for socially vulnerable categories of society, taking into account the low probability of economic growth, the deterioration of relevant forecasts in the short term due to the energy crisis, actualizing such kind of research.

LITERATURE REVIEW

The issues of economic policy and the policy of socio-economic development were widely initiated in the works of economists-classics and modern representatives of political economy A. Smith, A. Marshall, E. Roth, D. Stiglitz, A. Maurice, A. Sen, A. Saint-Simon, B. Olin, L. Walras, T. Veblen, K. Marx and a number of others. Separate aspects of social policy in the context of the new paradigmization of economic development, in particular, the macroeconomic vector of overcoming poverty, the mobilization of internal financial and economic resources (including rent) to ensure the sociologization of economic development, the architecture of social protection system and pension provision in the conditions of the global population ageing, countering the world coronavirus infection pandemic was investigated in the works of G. Kornia, T. Mkandavir, K. Hujo, I. Ilchon, M. McIntosh, M. Koivusalo, O. Kangas, Y. Palme, etc. The "Washington Consensus" which was formulated by the English economist D. Williamson provided an impetus for researching the processes of financing the social imperatives of economic development (K. Hujo, S. McClanahan), solidarity anti-crisis financial policy (D. Strauss-Kahn), and more modern experience of state architecture of finance obtained during the construction of the financial model for exiting the global corona crisis (M. Hasan, Z. Ma-Hui, M. Siam-Heng, K. Maximilian).

Among Ukrainian scientists, the issues (which were initiated at the turn of the 1990s and 2000s and determined by the Rubicon of the Strategy for the Economic and Social Development of Ukraine "On the Path of European Integration" adoption for 2004–2015) of the public finance management system development, certain aspects of the sociologization of Ukraine budget state expenditures, socio-economic development budgetary regulation for territorial locations taking into account the progress of structural reform implementation (including decentralization), reforms of social security and protection of the population were raised in scientific works by V. Bazilevich, A. Buryachenko, O. Holynska, N. Deeva, M. Karlin, A. Kovalchuk, I. Lunina, M. Mnykh, O. Semchyk, I. Chugunov, etc.

However, the new economic reality created by the large-scale armed aggression of the Russian Federation against the Ukrainian people (that is, without exaggeration, the entire democratic world) against the background of the World Bank's forecast of a drop in Ukraine GDP by 45% in 2022 [46], made public by preliminary estimates the Ministry of Economy of Ukraine at the level of no below 30% [7], although it is a better indicator than predicted in previous forecasts, it does not stop the growth of the poverty scale (at the rate of 5.5 USD per day) to the level of almost 20% compared to 1.8% in 2021, that is, almost 60% of the country's population will be below the poverty line, it is necessary to carry out additional research on the state finances situation from the perspective of transformational progress, to determine the level of their social "weakness" or "health". This need is reinforced by the presence of a regulatory "vacuum" and the further uncertainty of the State Program fate to Stimulate the Economy to overcome the negative consequences caused by restrictive measures to prevent the emergence and spread of acute respiratory disease COVID-19, caused by the SARS-CoV-2 coronavirus, for 2020–2022 [29], devaluation of the state budget for the needs of the security and defence sector of Ukraine and "civilian" with preservation of certain social standards, and in some cases their reduction.

AIMS AND OBJECTIVES

There is a study of the state finance quantitative and qualitative characteristics in the conditions of martial law and the need for resources the military "face" provision of the social protection system for the population, including those affected by the consequences of the war, the identification of probable social and resource challenges and threats in the short term, and as well as further inertial and regulatory progress in their development.

METHODS

To realize the goal and set research tasks, the work uses general-centric and sector-adaptive scientific methods of cognition, namely: the system method (when summarizing the issues, the challenges and trends of the state finance development caused by russian federation's military aggression, the adaptability of the mechanisms for providing social guarantees to the population in the new socio-economic reality), analysis and synthesis (when studying the pre-war and post-war fronts of transparency and accountability of the general strategy social expenditures for the development of the state finance management system with its niche diversions in the direction of the treasury service specifics, carrying out verification social procedures, including recipients of social services), induction, deduction and the logical method (when determining the main factors that are the drivers for unbalancing, balancing and catalyzing state finances, the parity of their development with the goals of the state's social policy in the paradigm of rhetorized triad of "pre-war – war – post-war" ontogenesis), etc.

RESULTS

Before the full-scale invasion, Ukraine had a sufficiently open economy, while solving, within certain limits, problems with global food security, primarily for the countries of North Africa [34–35; 39–40], acting as a social stabilizer for the provision of basic food needs in these countries (this is confirmed by a wide discussion at a high international equal to the projection of the war in Ukraine on the threats of global hunger and coup d'état [43]), however, it did not manage to fully implement the significant initial opportunities and resources obtained after the collapse of the USSR and the achievement of independence. We will remind that at the beginning of the 90s, a complex industrial sector was formed in Ukraine with large mining and metallurgical enterprises, developed mechanical engineering, chemical production, as well as a complex of industries producing a wide range of food and non-food consumer goods, and the transport and energy infrastructure in full measures corresponded to the needs of the highly developed industrial sector at that time. As a result, 54% [28] of Ukraine's exports consist of goods with low added value, despite the existing potential for the production of high-tech goods. In 2019, 61% [28] of exports were plant products (with processing products), ferrous metals and products made from them. Among them, unprocessed products predominate [28]: 62% in crop production and 89% in ferrous metals, and the key sectors of the economy – metallurgy, mineral products, agriculture, mainly produce products with a low degree of processing, confirming and at the same time creating a clear further inertia only partial realization of their potential (Figure 1), forming the chryso-genicity of raw material "conservation" of the model of post-war recovery.

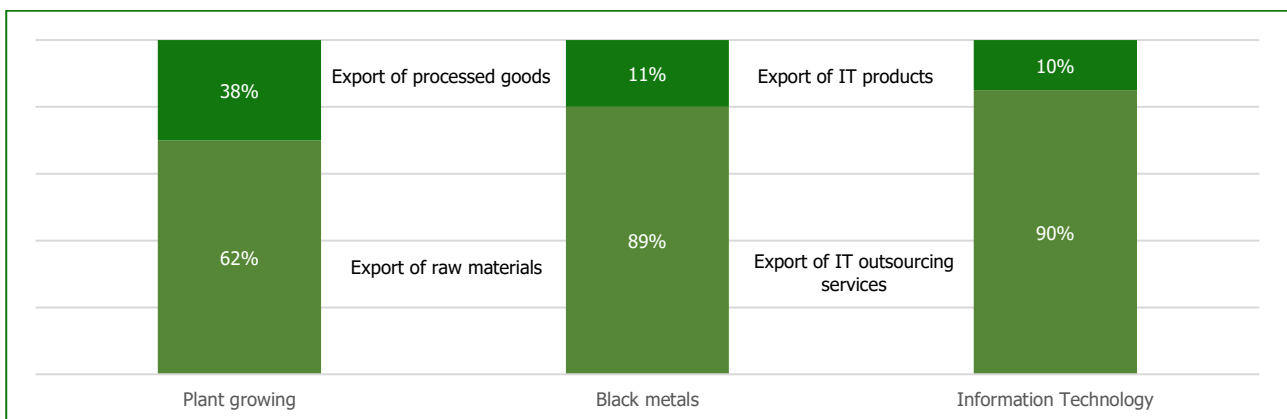


Figure 1. The structure of Ukraine's exports by individual categories of goods. (Source: compiled by the authors based on the generalization and authors' interpretation of the sources [14; 28])

If the economy is decomposed into sectors, it is possible to trace the deep transformations that have taken place during the 30 years of Ukraine's independence and the social imperialization of the state's economic policy, its parity with the social vectorization of the public finance management system [14]. Thus, compared to other countries, Ukraine lagged behind and continues to lag behind in social and labour development from the point of view of labour productivity, in particular in the industry, which pays a significant part of taxes and creates high added value. The percentage of employment in Ukrainian industry decreased much more significantly than in other countries, where a slight decrease or even increase was observed (Turkey), and the overall level of added value in industry increased by only 4% compared to Lithuania, the Czech Republic and Turkey, which managed to increase this the indicator is 185%, 91% and 248%, respectively (Figure 2). The reasons for this stagnation were the inability of financial institutions (economic policy inconsistency with the model of state finance development principles) and mechanisms of state finances to create incentives for capital investments, restoration (according to the extended formula) of fixed assets (primarily their active part), implementation (transfer) of advanced technologies and innovations in the real sector of the national economy.

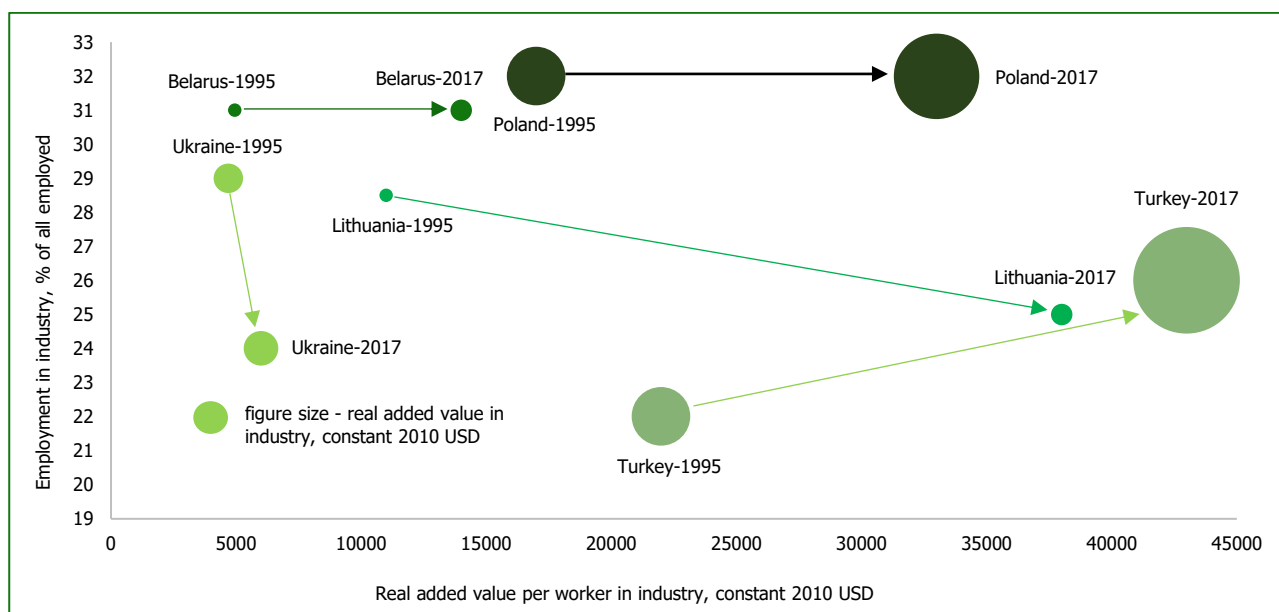


Figure 2. Comparison of employment and added value in the industry of Ukraine and the countries of Central and Eastern Europe.
 (Source: compiled by the authors based on the generalization and authors' interpretation of the sources [6; 9; 13; 28; 46])

From the standpoint of political economy [12], the economy works either "for itself" (increasing the share of intermediate products, the volume of production, unfinished construction, resource intensity, unproductive costs, militarization, etc.) or "for a person" through the satisfaction of his personal, collective and social needs, determining the level of its sociologization.

It is no accident that EU member states are guided by the principle of social and economic progress inseparability when forming social policy, that is, the impossibility and inadmissibility of achieving economic progress at the expense of social progress, and vice versa. Instead, the economic and social policies are not sufficiently balanced, and they, together with the development of the public finance management system, ultimately led to weak human development and a low level of quality of life for the population of Ukraine. Despite the high share of social expenditures in relation to GDP (Figure 3), the functioning quality of these spheres both in the pre-war period and during martial law left much to be desired, being in a stagnant ("fading") phase of its evolutionary development.

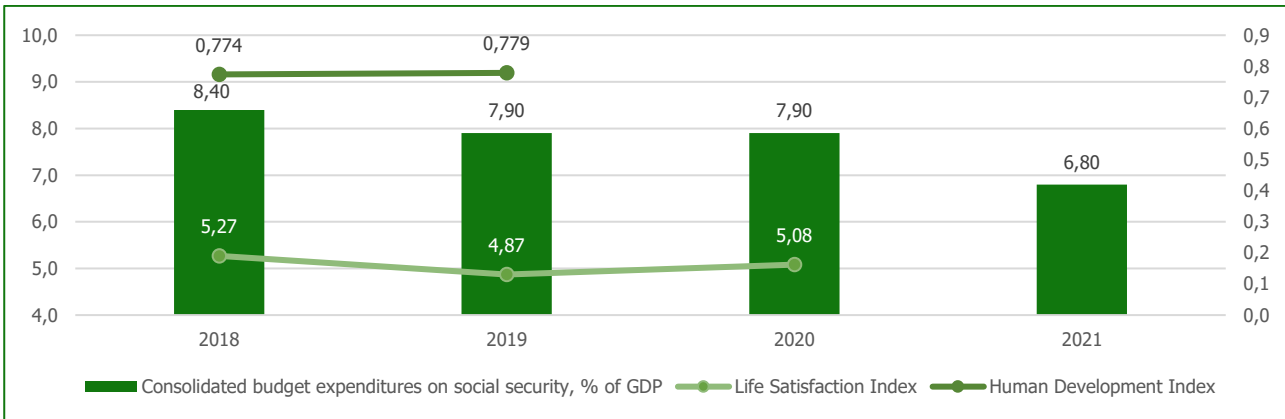


Figure 3. Dynamics of social expenditures share in GDP and the progress of human development rating indicators and life satisfaction.
(Source: compiled by the authors based on the generalization and authors' interpretation of the sources [4])

Thus, despite the positive progress in the Human Development Index (over the past year, Ukraine rose by 14 positions and took 74th place out of 189 countries [11]), only 51% [24] of Ukrainians are satisfied with their own lives (the country took 38th place out of 44 [24]), and per person, Ukraine spends much less on education, medicine, and pensions than the EU countries, which we want to become a member of (Figure 4).

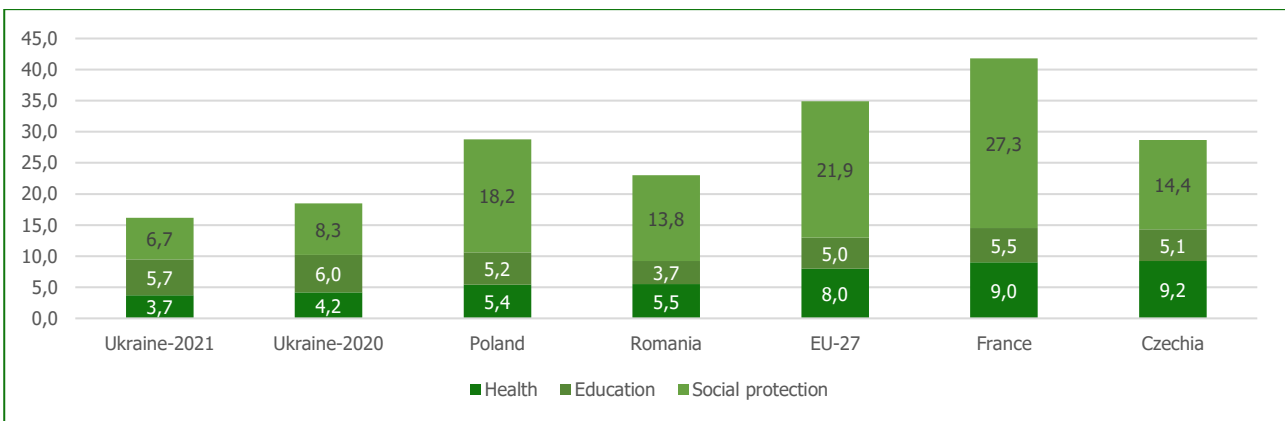


Figure 4. The dynamics of the social imperialism components of Ukraine's state finances compared to the EU member countries.
(Source: compiled by the authors based on the generalization and authors' interpretation of the sources [9; 11; 16; 20–21; 26; 28])

Accordingly, during the 30 years of Ukraine's independence, the population decreased by almost 10.7 million people (over 20% of the population) and, according to UN estimates [49], before the start of a full-scale war in Ukraine (by February 24, 2022), it amounted to 43 million 792 thousand people, but including the population in the internationally recognized borders of Ukraine. In addition, due to the aggravation of the demographic crisis by military actions, the potential reduction of the population will vary in the corridor from 24% to 33% [20] depending on the duration of the armed confrontation active phase and the presence of further hybrid inertia threats to the territorial integrity of Ukraine.

Nowadays, about 20% [27] territory of Ukraine, which is almost 125,000 square kilometres, is under the control of the occupying country, the Russian Federation, the physical capital loss from the destruction of enterprises, housing and infrastructure at the beginning of May reached 100 billion US dollars, which is equivalent to 50% GDP in 2021 [19], losses in human capital are measured at 90 billion US dollars [10]. At the same time, a quick recovery of the Ukrainian economy is not expected – in the period from 2023 to 2026, the GDP will grow by an average of 7.5% [23], that is, even five years after the Russian invasion, the Ukrainian economy will lag behind the pre-war level by 15%. Although after the invasion of Kuwait by Iraq in 1990 and the war in Serbia in 1999, the economies of both countries recovered quite quickly – Kuwait reached pre-war indicators two years later, and Serbia – already the following year, although then a phase of prolonged stagnation began (Figure 5).

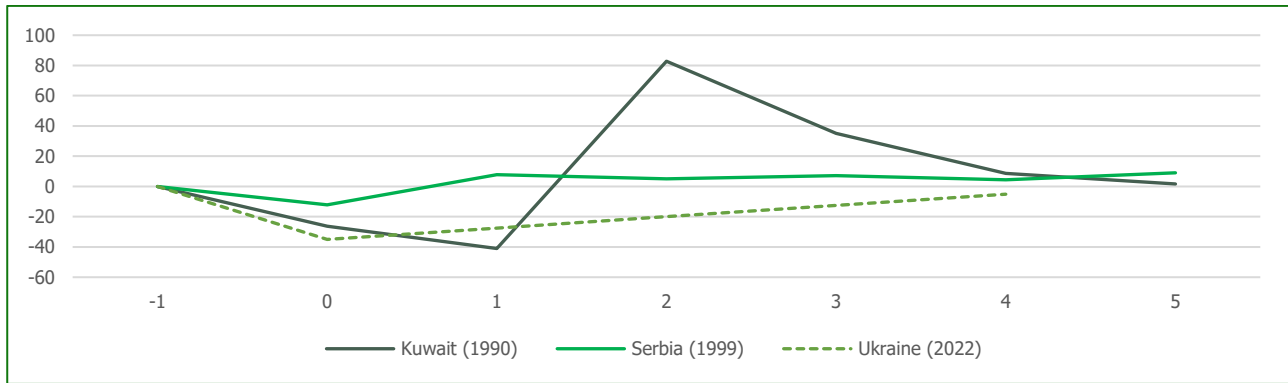


Figure 5. Dynamics of real GDP in the period of individual military conflicts. Note: "0" is the first year of an active military conflict. (Source: compiled by the authors based on the generalization and authors' interpretation of the sources [9; 13])

If the pre-war year 2021, despite the prevailing COVID crisis, Ukraine ended with a record GDP of 200 billion US dollars [25], positively projected on indicators of the welfare for the population – the real growth of the average nominal salary of full-time employees was 10.5%, and the real disposable income of the population increased by 4.3%. As a result of the full-scale war unleashed by the Russian Federation, the economy of Ukraine underwent revolutionary changes, and state finances evolved in the direction of military economy and finance. So, almost half of the enterprises are stopped (18.7% [22]) or almost stopped (28.1% [22]), the total direct losses of small and medium-sized businesses are estimated at 83 billion US dollars [22], business activity is reduced, exporters received artificial barriers in the form of port blockades (available logistics routes cover less than 20% [22] of exports), more than 10 million Ukrainians (~25% of the population [45]) left their homes, including 7.5 million [48] went abroad, at least 3 million have lost their jobs, 53% are at risk of losing it [48], the unemployment rate is in the 30% [18] corridor, the level of wages in various sectors of the economy has decreased, and the regression is in the range from 9 to 58% [48], arrears from its payment exceeded UAH 3 billion.

Despite the crisis "background" of economic development, state budget expenditures almost doubled compared to pre-war 2021. At the same time, the level of their implementation for the first three quarters of 2022 is only 4.3 percentage points lower than the average share of expenditures in general in 2017–2021 (67.5%) due to the relatively static dynamic series of the social parameters of the budget and the forced increase in the first two-quarters of the military "face" of budget expenditures as a catalyst for the hypertrophy of state finances in the military financial direction.

Interpretation of the state budget expenditure part according to the functional classification in Figure 6 allows to trace visually how the resource provision of state regulatory goal-setting for the realization of national interests in various spheres of the economy is dynamic, that is, the parity of the Strategy for Reforming the State Finance Management System for 2022–2025 [31] and the Budget Declaration for 2022–2024 [3] with sectoral and/or niche strategies, in particular, which determine the course for the total socialization of budget expenditures, comprehensive decentralization, territorial organization of power, development of human capital, guaranteeing the safety of every citizen, effective protection of the sovereignty and territorial integrity of the state, etc.

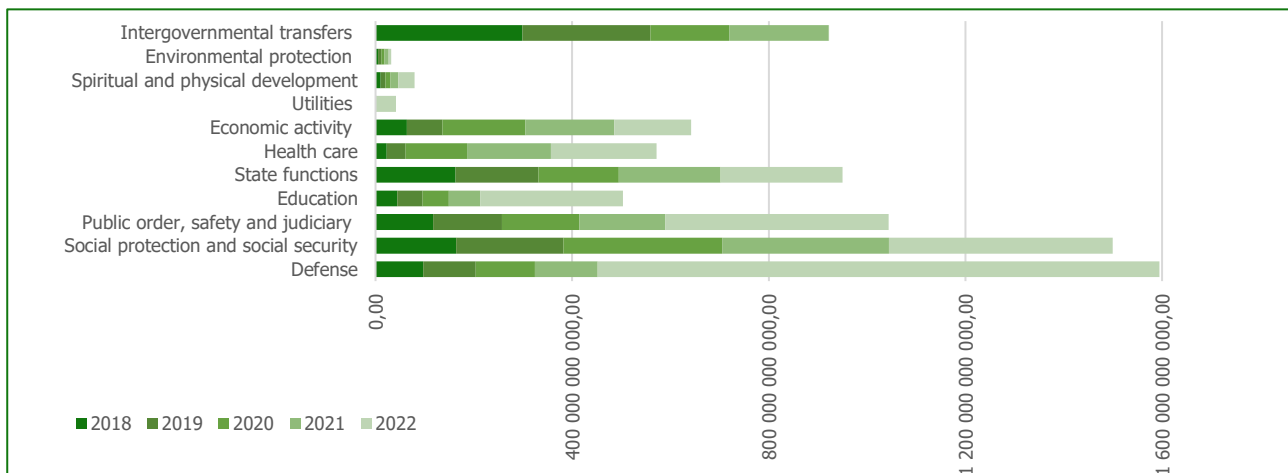


Figure 6. Dynamics and structure of budget expenditures by functional classification. (Source: compiled by the authors based on the generalization and authors' interpretation of the source [32])

In the social sphere in the decentralization paradigm, such program documents are the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their member states, on the other hand, Decrees of the President of Ukraine "On urgent measures to carry out reforms and strengthening the state" 08.11.2019 No. 837/2019, "On the National Strategy in the Field of Human Rights" dated 24.03.2021 No. 119/2021, Laws of Ukraine "On Social Services" dated 17.01.2019 No. 2671-VIII (with amendments), "On the principles of state regional policy" dated 02/05/2015 No. 156-VIII, order of the Cabinet of Ministers of Ukraine "On approval of the Concept of reforming local self-government and territorial organization of power in Ukraine" dated 04/01/2014 No. 333- r., Resolution of the Cabinet of Ministers of Ukraine "On Approval of the State Regional Development Strategy for 2021-2027" dated August 5, 2020 No. 695, their territorial and locational derivative in the form of socio-economic programs the development of local self-government bodies, which, as a rule, are limited to 2023 and formed in the conditions of the pre-war socio-economic reality, that is, they are actually not suitable for post-war reconstruction programming.

The normatively determined social imperatives of the economic development pre-war period in Ukraine were logically projected first on the parameters of state social standards and guarantees, and later, on the expenditure indicators of the state budget in the pre-war period, forming a relevant basis for the military adaptability of state finances, taking into account the territorial de-occupation progress, territories of active hostilities and population's social "stratification" (Table 1).

Table 1. Dynamics of state financial social imperatives in the pre-war and post-war periods. (Source: compiled by the authors based on the generalization and authors' interpretation of the source [26])

Indicator	2021, UAH			2022, UAH			2023, UAH
	from January, 1	from July, 1	from December, 1	from January, 1	from July, 1	from December, 1	from January, 1
Subsistence minimum (PM) per month per person	2189	2294	2393	2393	2508	2589	2589
– for children under 6 years old	1921	2013	2100	2100	2201	2272	2272
– for children aged 6 to 18 years old	2395	2510	2618	2618	2744	2833	2833
– for able-bodied people	2270	2379	2481	2481	2600	2684	2684
– for people who have lost their ability to work	1769	1854	1934	1934	2027	2093	2093
Minimum wage	6000	6000	6500	6500	6500	(from 01.10) 6700	6700
(in % to PM for able-bodied people)	264.3	252.2	262.0	262.0	250.0	249.6	249.6
Minimum pension	1769	1854	1934	1934	2027	2093	2093
(in % to PM for people who have lost their ability to work)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Minimum pension for people who have full insurance (30/35 years old) aged from 65 years old	2400	2400	2600	2600	2600	(from 01.10) 2680	2680
(in % to PM for people who have lost their ability to work)	135.7	129.4	134.4	134.4	128.3	128.0	128.0
aged from 60 to 65 years old	2100	2200	2200	2200	(from 01.03) 2300	2300	2300
(in % to PM for people who have lost their ability to work)	118.7	118.7	113.8	113.8	113.5	109.9	109.9
Minimum pension for people who have insurance experience 20/25 years, aged from 75 years old	1769	1854	(from 1.10.) 2500	2500	2500	2500	2500
(in % to PM for people who have lost their ability to work)	100.0	100.0	129.3	129.3	123.3	119.4	119.4
aged from 80 years old	2600	2600	2600	2600	2600	2600	2600
(in % to PM for people who have lost their ability to work)	147.0	140.2	134.4	134.4	128.3	124.2	124.2

In the pre-war period, the social vector of state finances was constructed based on the increasing negative impact of socio-demographic, economic and security factors on the economic policy and development paradigm of Ukraine. Thus, the Russian-Ukrainian war unleashed by the Russian Federation in 2014, even before the full-scale invasion (February 24,

2022) on the territory of Ukraine, caused a constant increase in the number of the population vulnerable sections, formed new categories that needed social protection, while the vast majority the population remained dissatisfied with neither the quality nor the availability of social services. The apogee of such a social policy was the initiative of the Office of the President of Ukraine, on the eve of the russian federation's full-scale invasion on the territory of Ukraine, to introduce targeted food support for low-income sections of the population as the quintessence of overcoming the global coronavirus pandemic consequences. It even became one of the dominants of the State program to stimulate the economy to overcome the negative consequences caused by restrictive measures to prevent the emergence and spread of the acute respiratory disease COVID-19, caused by the SARS-CoV-2 coronavirus, for 2020-2022.

From the point of view of budget expenditures, the forecast calculations for social expenditures in the pre-war period were not completely consistent with the sources of budget revenues and the determined amounts of social benefits and guarantees, creating an entropy between the resource provision of strategies for the development of state finances and program framework documents in the field of social policy (Figure 7). For decades, excessive invariance of the number of benefits, advantages and compensations was constructed in Ukraine, the size of many of which did not take into account either the new economic reality or the new social normality, not being sufficiently balanced with the financial capacity of the state and/or local self-government bodies to provide them. This caused an increase in the debt of the state due to lawsuits on the protection of social rights, satisfied by the courts in favour of citizens, and a large number of allowances, supplements and increases to the pension overburdened the pension insurance system, turning it into a cumbersome social security system. As a result, it became a kind of mainstream mouthpiece of public finances in the direction of optimization of the state's social expenditures.

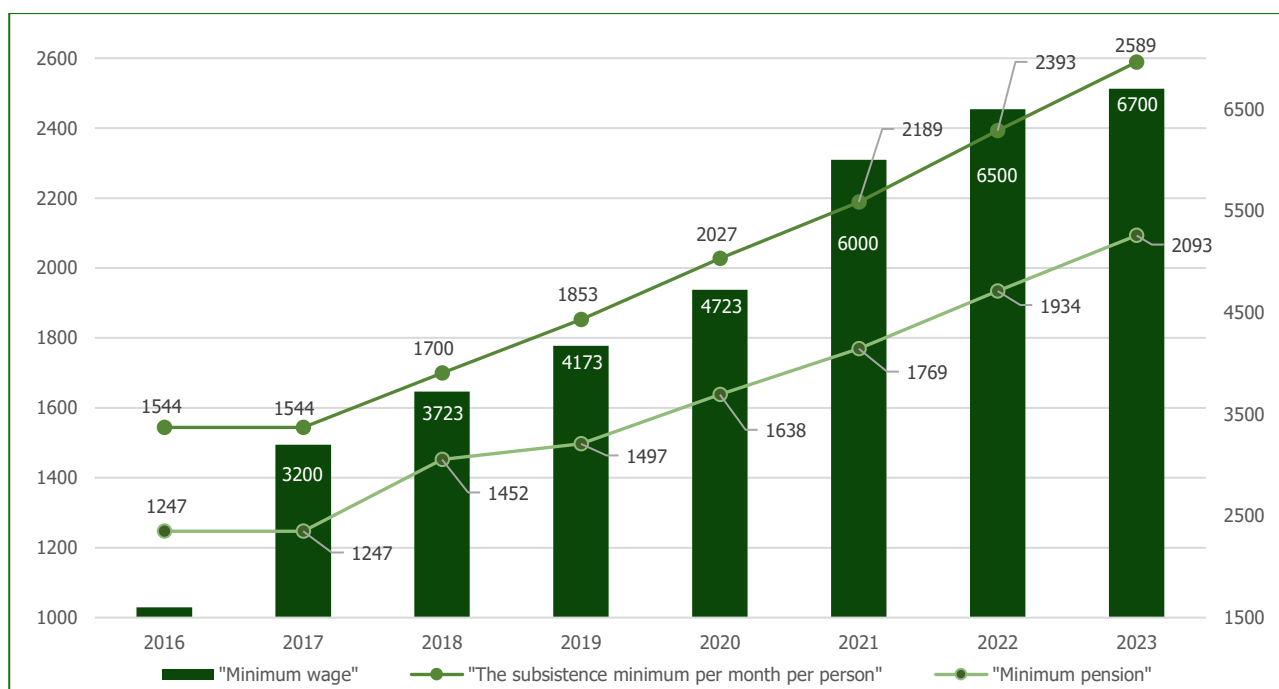


Figure 7. Dynamics of entropy between budgetary social parameters and state social standards (guarantees) in the pre-war and post-war periods. (Source: compiled by the authors based on the generalization and authors' interpretation of the source [26])

Two years before the russian federation's invasion, i.e. in 2019–2020, over UAH 600 billion are provided for the social protection of the population, the social guarantees implementation and standards in the consolidated budget of Ukraine [32; 41–42]. The budgets of the Pension Fund of Ukraine insurance funds (hereinafter referred to as the PFU), the Social Insurance Fund of Ukraine and the Mandatory State Social Insurance Fund of Ukraine in case of unemployment for this period amounted to UAH 1,022.2 billion [32; 41–42], of which the PFU provides for more than 90%, which is 11% of GDP. Considering the constant shortage of funds, the PFU was involved in paying pensions of UAH 297.8 billion [32; 41–42] loans from a single treasury account, from which current loans in the amount of UAH 283.7 billion [32; 41–42] were repaid. That is, the pre-war social imperatives of state finances in 2019–2020 accumulated the share of consolidated budget expenditures on social protection and provision in GDP at the level of 8.1–8.3% [32; 41–42], which is on par with the average indicator in EU member states – 6% [38] and a number of highly developed countries: Finland, Ireland and Iceland. At the same time, there was a tendency to decrease this indicator (from 9.6% in 2017 to 8.1% in 2019 [32; 41–42]), a reduction in the share of expenditures on social protection and provision in the consolidated budget. Thus, in 2019,

up to 18.2% of all local budget expenditures were allocated from local budgets for social protection and provision, and in 2020 this indicator decreased to 5% [32; 41–42]. In absolute terms, UAH 103.2 billion were allocated for 2019, in 2020, expenditures decreased to UAH 24 billion, i.e. by 77% [32; 41–42].

Every month, about 21% [32; 41–42] of the total amount of expenditures was directed from the state budget to social security, in particular the payment of pensions, benefits, and scholarships, and by the end of 2022, the number of internally displaced persons (hereinafter referred to as IDPs) reached 5.9 million, of which 1,8 million people receive assistance, which is about UAH 57 billion and UAH 900 million, more than 4 million homeowners who accommodated IDPs received compensation to cover the cost of housing and communal services under the "Shelter" program.

By the end of 2022, the structure of the expenditure part of the state budget was formed, in which consumption expenditures, capital expenditures, i.e., those which by their nature are designed to ensure development in the first three quarters of the military year 2022, accounted for only about 2% [32; 41–42] of all state expenditures of the budget, and the implementation of the annual plan for them amounted to only 28.8%. For comparison, the similar indicator in pre-war 2021 was almost twice as high as during the war and amounted to almost 45%.

The largest share in the structure of expenditures on social security is taken by the PFU transfer (Figure 8). In second place are payments of state social benefits, in particular to families with children. Every fourth hryvnia was directed to the provision of benefits and subsidies for the payment of housing and communal services. For comparison, in 2021, the lion's share was also occupied by the social protection of pensioners, while in January – November 2022, it was 8% less. Shares of other components of social expenditures last year were also similar, with the exception of targeted assistance to displaced persons, which increased 17 times in January-November 2022 compared to the same period of pre-war 2021.

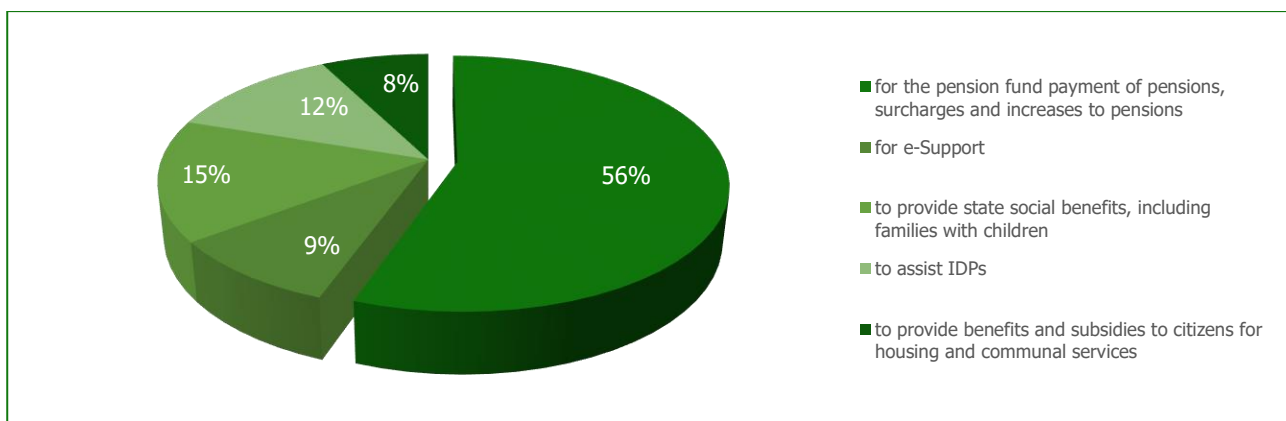


Figure 8. The structure of state budget expenditures for social protection in the military year of 2022. (Source: compiled by the authors based on the generalization and authors' interpretation of the source [32; 41–42])

DISCUSSION

That is, after February 24, 2022, social protection becomes the second most important budget priority after defence expenditures, that is, in fact, there is a shift in the socialization of state finances in the direction of their militarization. It should be reminded that even after the First World War, the German scientist V. Rathenau claimed that "the old economic system perishes in the flames of war and is replaced by a new economy based on scientific and technical progress and social justice" [5; 32; 41–42], S. Harris, A. Hart, T. Shitovskiy tried to prove "the beneficial effect of the militarization of the economy on the social structure of Western society" [50]. In the future, revolutionary changes in the classical theory of economy militarization, in particular in France [6], took place in the direction of entrenching statements about its favourable influence, but on the condition that the interests of individual classes, strata, and countries are not replaced by the interests of all humanity and there are effective forecasts about the impact of the socio-economic consequences of the economy militarization on the state of public finances.

To ensure the stability of state finances during the period of martial law, taking into account the reduction of the revenue part of the state budget (at least the ability to generate revenue at the expense of its own economic system) and the need to cover the needs of the security and defence sector, the Cabinet of Ministers of Ukraine introduced special rules for spending. They are defined by the resolution of the Cabinet of Ministers of Ukraine "On approval of the Procedure for the exercise of powers by the State Treasury Service in a special regime under martial law" dated June 9, 2021 No. 590 (as amended).

In January 2023, state finances continue to evolve within the militarist paradigm (that is, from total socialization to the budget of a belligerent country – the military budget), and their core is the need to meet the needs of the security and defence sector (Table 2). As a result, of the total amount of cash expenditures of the Consolidated Budget of Ukraine (205 billion UAH, which is 2.4 times or 121.3 billion UAH more than in January 2022), the largest share is occupied by the defense (54.7%), social protection and social security (18.6%), public order, security and judiciary (9.2%), education (7.8%) and health care (4.1%). That is, regardless of the state of war, the state continues, within certain limits, to fulfil its social obligations, to support vulnerable sections of the population, to provide the system of health care, education and science with funds at least at the level sequestered by the decisions of the Government [1–2].

Table 2. Dynamics of the main indicators of the Consolidated and State Budget of Ukraine for January 2022–2023. (Source: compiled by the authors based on the generalization and authors' interpretation of the source [16])

Indexes	Budget, billion				State budget, billion			
	fact 2022	fact 2023	Deviation		fact 2022	fact 2023	Deviation	
			absolute	growth rate, %			absolute	growth rate, %
Income	117.1	154.5	37.4	131.9	89.3	121.4	32.1	136.0
Outlay	83.7	205.0	121.3	244.9	70.6	194.1	123.4	274.7
Providing loans	3.0	0.1	-2.9	–	3.0	0.1	-2.9	–
Repayment of loans	0.3	0.4	0.1	–	0.2	0.4	0.2	–
Deficiency (+) or surplus (-)	-30.7	50.2	80.9	–	-15.9	72.4	88.3	–

Taking into account that in 2022, the military adaptation of state finances actually took place, their new social imperatives for the 2022–2023 budget transition have been determined, the need to trace the regulatory foundations of their post-war recovery is seen as logical. It should be emphasized that Article 33 of the Budget Code of Ukraine and the related norms regarding the Budget Declaration during the programming of budget parameters, and accordingly the determination of the post-war recovery triggers for both the national economy and state finances in the conditions of martial law, are not applied in accordance with the Law of Ukraine "On Amendments to Chapter VI "Final and Transitional Provisions" of the Budget Code of Ukraine and other legislative acts of Ukraine" dated March 15, 2022 No. 2134-IX.

That is the programming of budget parameters today actually takes place in real-time in the absence of complete statistical information, a high degree of uncertainty and unpredictability in the field of security and defence regarding the duration, intensity and geography of hostilities, and their consequences. At the same time, macroeconomic assumptions are applied for 2022–2023 [17], according to which the nominal GDP in 2023 is UAH 6,399 billion (the fact for 2021 is UAH 5,459.6 billion, the approved forecast for 2022 is UAH 5,368.7 billion UAH, and the expected value is UAH 4,680.2 billion), its real growth is at the level of 4.6% (in 2022 – a drop of 33.2%), the consumer price index in annual terms is 130% (almost a parity value by 2022 – 130.1%) and the average annual forecast exchange rate – 42.2 hryvnias/dollar. USA (fact for 2021 – 27.3 UAH/USD, average indicator in 2022 – 32.3 UAH/USD).

At the same time, already at the beginning of 2023, it became clear that due to the energy crisis, the speculative behaviour of the Russian Federation regarding the extension of the "Grain Corridor", the high volatility of prices in the direction of their decrease for the grain and oil group of Ukrainian food, the risks of not achieving the projected by the government, both real GDP growth by 4.6% and non-compliance with foreign exchange earnings due to non-fulfilment of planned export values of goods and services. Accordingly, the fulfilment of social obligations, which in 2023 increased by UAH 114.4 billion, or by 33.3% compared to 2021, and amount to UAH 457.9 billion against the background of their resource provision as the difference between internal revenues and expenses for the provision of the security and defence sector and international aid (grants and loans), requires the most balanced approach to the architecture of the new social "face" of spending policy, and the limited financial resources (generated both from internal and external sources) must be used even more effectively.

The quintessence of the post-war recovery new social model of Ukraine should be compliance with the principles and standards of social policy in EU member states, improvement of the human life quality, resistance to demographic changes, increased levels of social protection and social unity, promotion of poverty reduction, help in overcoming discrimination in all its forms appearance at maximum parity with the state's financial capabilities.

For this, we see the need to simultaneously solve a number of objectives that are already included in one form or another in the project of the Recovery Plan for Ukraine from the Consequences of the War, in particular regarding:

introduction of the systematic monitoring technology of quantitative and qualitative parameters of social services in order to verify recipients and improve the efficiency of their provision;

decomposition of the social support system and its construction on the integration and unification model basis for the provision of social services and implementation of social payments, ensuring their transparency and traceability for the state financial management system;

creation of regulatory conditions and systemic incentives for the architecture of a transparent and at the same time effective pension and social insurance system, in particular, the penetration of the mental plane of a working Ukrainian with the need for pension savings;

introduction of a digitized model of financial planning and reporting capable of providing relevant information to state institutes for their effective management decisions and analysis of the effectiveness of the invariance of social spending tools to achieve both tactical and strategic goals of budgetary and social policies;

creating the basis for balancing the social obligations of the state with its financial capabilities, at least introducing a transparent model of their gradual convergence, in particular through resource subordination of the Strategic Plan of the Ministry of Social Policy of Ukraine for the post-war years, similar to the document of the Ministry of Finance of Ukraine.

CONCLUSIONS

The extensive social policy, which has been inert since Soviet times and runs under the slogan "the more benefits, subsidies and social benefits are given to citizens, the better is the manifestation of the state's concern for its citizens" historically laid the foundations for the socialization of budget expenditures, which during the 30 years of Ukraine's independence crystallized the social the "face" of public finances. However, its mainstream is the disparity of the state's financial and economic capabilities to ensure the fulfilment of grant social standards and the provision of social services. As a result, a pre-war trend towards a constant increase in the number of unstructured, poorly understood benefits, subsidies and social benefits, which are not supported by the financial capacity of the state or local self-government bodies, was outlined. This poses a threat in the conditions of martial law to the transition of public finances into an unbalanced and unstable form, ensuring their flow from social "health" to "weakness".

In our opinion, the course determined by the President of Ukraine to "reboot the country" in the post-war period provides a chance to review the components of the existing outdated and, as it turned out, vulnerable to a large-scale crisis social system, and most importantly to form a new social "face" of the state on the way to Ukraine's membership in the EU the quintessence of which will be the inseparability of post-war social and economic progress.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

Conceptualization: *Nina Petrukha, Serhii Petrukha*

Formal Analysis: *Nataliia Alekseienco, Oleksandr Kushneru*

Methodology: *Serhii Petrukha*

Resources: *Nataliia Alekseienco, Oleksandr Kushneruk, Anastasiia Mazur*

Investigation: *Nina Petrukha, Serhii Petrukha, Nataliia Alekseienco, Oleksandr Kushneruk, Anastasiia Mazur*

Visualization: *Nina Petrukha, Anastasiia Mazur*

Project administration: *Serhii Petrukha*

Writing – original draft: *Nina Petrukha, Serhii Petrukha, Nataliia Alekseienco, Oleksandr Kushneruk, Anastasiia Mazur*

REFERENCES

1. About the allocation of funds to the reserve fund of the state budget: Resolution of the Cabinet of Ministers of Ukraine. Document 245 (2022). <https://zakon.rada.gov.ua/laws/show/245-2022-%D0%BF#Text>
2. About the allocation of funds to the reserve fund of the state budget: Resolution of the Cabinet of Ministers of Ukraine. Document 401 (2022). <https://zakon.rada.gov.ua/laws/show/401-2022-%D0%BF#Text>
3. About the Budget Declaration for 2022–2024: Resolution of the Verkhovna Rada of Ukraine. Document 1652-IX. (2021). <https://zakon.rada.gov.ua/laws/show/1652-IX#Text>
4. Bohdan, T. (2022, Feb. 14). Budget expenditures in 2021: ups and downs. *LB.ua*. https://lb.ua/blog/tetiana_bohdan/505515_byudzhet_ni_vidatki_2021_roku_zleti_i.html
5. Felix, D. (2019). *Walther Rathenau and the Weimar Republic. The Politics of Reparations*. Johns Hopkins University Press. https://www.google.com.ua/books/edition/Walther_Rathenau_and_the_Weimar_Republic/e3HNDwAAQB_AJ?hl=uk&gbpv=0
6. Fisk, H. E. (2015). *French Public Finance: In the Great War and To-Day, With Chapters on Banking and Currency*. Fb&c Limited.
7. Government Portal. (2023). *Ministry of Economy preliminarily estimates GDP decline in 2022 at 30.4%*. <https://www.kmu.gov.ua/en/news/minekonomiky-poperedno-otsiniuije-padinnia-vvp-v-2022-rotsi-na-rivni-304>
8. Government Portal. (2023). *National Council for the Recovery of Ukraine from the War*. <https://www.kmu.gov.ua/en/national-council-recovery-ukraine-war>
9. Heinonen, L., & Korhonen, I. (2022). *The Effects of the War on the Ukraine Economy: The Situation at the End of 2022*. Bank of Finland, Institute for Emerging Economies – BOFIT. <https://publications.bof.fi/bitstream/handle/10024/52588/bpb2301.pdf>
10. Hrebenuk, S. (2022, June 6). The price of war. How Russian aggression will affect the main value of Ukraine – children. *Forbes Ukraine*. <https://forbes.ua/inside/tsena-voyny-kak-rossiyskaya-agressiya-skazhetsya-na-glavnoy-tsennosti-ukrainy-detyakh-06062022-6418>
11. Human Development Reports (2023). *Human Development Insights*. <https://hdr.undp.org/data-center/country-insights#/ranks>
12. Jevons, W.S. (1871). *The Theory of Political Economy*. Macmillan. <https://oll.libertyfund.org/title/jevons-the-theory-of-political-economy>
13. Kaldor, M. (2012). *New and Old Wars: Organised Violence in a Global Era*. 3rd ed. Cambridge: Polity Press. https://books.google.com.ua/books?id=RL-1Ws5b1DUC&printsec=frontcover&dq=Serbia,+Iraq,+war,+economy&hl=uk&sa=X&redir_esc=y#v=onepage&q=Serbia%2C%20Iraq%2C%20war%2C%20economy&f=false
14. Kuznietsova, A. Y., & Getman, Y. M. (2018). Sources of financing of state target programs: concept and classification. *Financial and Credit Activity Problems of Theory and Practice*, 1(24), 298–304. <https://doi.org/10.18371/fcaptop.v1i24.128458>
15. Ministry of Finance of Ukraine. (2017). *Strategic Plan of the 2018–2021*. https://www.slideshare.net/ua_minfin/20182021-127280298?ref=https://www.minfin.gov.ua/news/viww/minfin-pidhotuvav-vizualizovanyi-stratehichnyi-plan-dijalnosti-na-roky?category=novini-ta-media&subcategory=vsi-novini
16. Ministry of Finance of Ukraine. (2023). *Information on the state of implementation of the Consolidated and State Budgets of Ukraine for January 2022–2023*. https://mof.gov.ua/storage/files/2_%D0%94%D0%BE%D0%B2%D1%96%D0%B4%D0%BA%D0%B0%D1%81%D1%96%D1%87%D0%B5%D0%BD%D1%8C_2023_27_02_2023.docx
17. Ministry of Finance of Ukraine. (2023). *Macroeconomic forecast for 2022–2024*. https://www.mof.gov.ua/uk/macroeconomic_forecast_for_2020-2022-379
18. National Bank of Ukraine. (2022). *Inflation Report, October 2022*. <https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-jovten-2022-roku>
19. National Bank of Ukraine. (2022). *Report on financial stability, June 2022*. https://bank.gov.ua/admin_uploads/article/FSR_2022-H1.pdf?v=4
20. NoBrainerData (2022). *The Demographic Tragedy of Ukraine: a Second Holodomor?* <https://nobrainerdata.com/2022/06/17/the->

- [demographic-tragedy-of-ukraine-a-second-holodomor](#)
21. OECD (2022). *OECD Economic Outlook, Interim Report March 2022: Economic and Social Impacts and Policy Implications of the War in Ukraine*. <https://doi.org/10.1787/4181d61b-en>
 22. Official website of the Advanter Group (2023). <https://advanter.ua>
 23. Official website of the FocusEconomics (2023). <https://www.focus-economics.com>.
 24. Official website of the Gallup International Association (2023). <https://www.gallup-international.com/home>
 25. Official website of the Independent association of the banks of Ukraine. (2023). <https://nabu.ua>.
 26. Official website of the Ministry of Social Policy. (2023). *Social standards*. <https://www.msp.gov.ua/content/socialni-standarti.html>
 27. Official website of the President of Ukraine (2022). *Speech by the President of Ukraine in the Chamber of Deputies of Luxembourg*. <https://www.president.gov.ua/en/news/promova-prezidenta-ukrayini-v-palati-deputativ-lyuksemburgu-75533>
 28. Official website of the State Statistics Service of Ukraine. (2023). <http://www.ukrstat.gov.ua>
 29. On the approval of the State program to stimulate the economy to overcome the negative consequences caused by restrictive measures to prevent the occurrence and spread of the acute respiratory disease COVID-19 caused by the SARS-CoV-2 coronavirus for 2020–2022: Resolution of the Cabinet of Ministers of Ukraine. Document 90. (2020). <https://www.kmu.gov.ua/npas/pro-zatverdzhennya-derzhavnoyi-programi-stimulyuvannya-ekonomiki-534-270520>
 30. On the approval of the Strategic Plan of the Ministry of Social Policy of Ukraine for the 2022 budget year and the two upcoming budget periods (2023–2024): Order of the Ministry of Social Policy of Ukraine. Document 90. (2022). <https://zakon.rada.gov.ua/rada/show/v0090739-22#Text>
 31. On the approval of the Strategy for Reforming the State Finance Management System for approval of the Strategy for reforming the public financial management system for 2022–2025 and the action plan for its implementation: Order of the Cabinet of Ministers of Ukraine. Document 1805-p. (2021). <https://zakon.rada.gov.ua/laws/show/1805-2021-%D1%80#Text>
 32. Open budget. (2023). *Expenses*. <https://openbudget.gov.ua/national-budget/expenses?class=functional&view=table>
 33. Paliichuk, T.V., Petrukha, S.V., & Alekseienco, N.M. (2020). Financial Equalization in the Conditions of Reform of the Public Finance Management System. *Accounting and Finance*, 2(88), 81–92. [https://doi.org/10.33146/2307-9878-2020-2\(88\)-81-92](https://doi.org/10.33146/2307-9878-2020-2(88)-81-92)
 34. Petrukha, S. (2017). Evolution of methodological approaches to the agrarian crises research. *Agrosvit*, 4, 16–34. <http://www.agrosvit.info/?op=1&z=2344&i=2>
 35. Petrukha, S. (2021). Rural economy: directions of new theorization and implementation of best European financial regulation practices. *Financial and Credit Activities: Problems of Theory and Practice*, 5 (40), 454–464. <https://doi.org/10.18371/fcapter.v5i40.245198>
 36. Petrukha, S. & Stakhov, B. (2020). Imperatives and Determinants of Sustainable Development of the Agrarian Sector of the Economy in the Context of Modernization of the Public Finance Management System. *Black sea economic studies*, 52-2, 112–127. <https://doi.org/10.32843/bses.52-40>
 37. Petrukha, S.V., Paliichuk, T.V., & Petrukha, N.M. (2020). Local Finances in the Context of the Corona Crisis: new Budget Architecture and Financial Capacity to Regulate Sectoral and Socio-Economic Processes. *Finance of Ukraine*, 12, 83–105. <https://doi.org/10.33763/finukr2020.12.083>
 38. Postuła, M. (2022). *Public Financial Management in the European Union*. London. <https://doi.org/10.4324/9781003222033>
 39. Pushak, Y., Zaichenko, V., Kornicheva, H., Petrukha, S., & Kharabovskiy, Y. (2022). Features of the Impact of Military Actions on Food Security. *International Journal of Computer Science and Network Security*, 6 (22), 33–38. <https://doi.org/10.22937/IJCSNS.2022.22.6.6>
 40. Sokolovska, O., Dziurakh, Y., Kristinyak, M., Petrukha, N., & Nazaruk, M. (2022). The Impact of Military Actions on Food and Labor Security. *International Journal of Computer Science and Network Security*, 6 (22), 582–588. <https://doi.org/10.22937/IJCSNS.2022.22.6.72>
 41. Spending. (2023). <https://spending.gov.ua/new>

42. The Accounting Chamber. (2021). *Report on the results of the analysis of the system of mandatory state pension and social insurance and social protection of the population.*
https://rp.gov.ua/upload-files/Activity/Collegium/2021/15-4_2021/Zvit_15-4_2021.pdf
43. The International Institute for Strategic Studies. (2022). *The IISS Shangri-La Dialogue.*
<https://www.iiss.org/events/shangri-la-dialogue/shangri-la-dialogue-2022>
44. The Open Society Foundations. (2023). LEADERSHIP.
<https://www.opensocietyfoundations.org/who-we-are/leadership>
45. The State Statistics Service of Ukraine. (2023). *Population by region (estimated) on February 1, 2022 and average population in January 2022.*
https://ukrstat.gov.ua/operativ/operativ2022/ds/kn/arh_kn2022_u.html
46. The World Bank. (2022). *Europe and Central Asia Economic Update. Social Protection for Recovery.*
<https://doi.org/10.1596/0978-1-4648-1928-5>
47. The World Bank. (2022). *Stagflation Risk Rises Amid Sharp Slowdown in Growth.*
<https://www.worldbank.org/en/news/press-release/2022/06/07/stagflation-risk-rises-amid-sharp-slowdown-in-growth-energy-markets>
48. UNHCR (2023). *Ukraine Refugee Situation.*
https://data.unhcr.org/en/situations/ukraine#_ga=2.228732760.514168680.1646989952-176134281.1646551413
49. United Nations (2021). *Policy Paper on Population Dynamics.*
https://ukraine.un.org/sites/default/files/2021-11/UN%20Policy%20Paper%20on%20Population%20Dynamics_FINAL%20UKR.pdf
50. Whitehouse, A. (2018). *Sam Harris and the End of Faith: A Critique.* (n.p.): CreateSpace Independent Publishing Platform.

Петруха Н., Петруха С., Алексеєнко Н., Кушнерук О., Мазур А.

СОЦІАЛЬНІ ІМПЕРАТИВИ ДЕРЖАВНИХ ФІНАНСІВ: ВОЄННА АДАПТАЦІЯ ТА ЗАСАДИ ПОВОЄННОГО ВІДНОВЛЕННЯ

У статті досліджено кількісно-якісні характеристики державних фінансів в умовах воєнного стану та необхідності ресурсного забезпечення військового «обличчя» системи соціального захисту населення, в тому числі постраждалого від наслідків війни, виділення ймовірних соціально-ресурсних викликів і загроз у короткостроковій перспективі, а також подальших інерційно-регуляторних поступів у їхньому розвитку. Для цього використані загальноцентричні та секторально-адаптивні наукові методи пізнання, серцевину яких складає системний підхід до дослідження взаємовпливу та взаємозв'язку між тріадою: державні фінанси – воєнна економіка – соціальна політика. Установлено, що наявне соціальне «обличчя» державних фінансів забезпечує належний соціальний захист українців у складних життєвих обставинах, породжених воєнною агресією РФ. Його історіографія виходить із екстенсивної моделі соціальної політики, яка бере свій початок ще з радянських часів та відбувається під гаслом «чим більше пільг, дотацій і соціальних переваг надано громадянам, тим кращим вважається прояв турботи держави про своїх громадян». Однак указана модель в умовах воєнного стану створює загрозу для переходу державних фінансів у розбалансовану та нестійку форму, забезпечуючи перетікання їхнього стану із соціальної «здоровості» до «слабкості». У статті запропоновано низку цілепокладань для підтримки соціальної «здоровості» державних фінансів у період воєнного стану й повоєнного відновлення та сформульовано нову соціальну модель у парадигмі повоєнного відновлення України – відповідність принципам і стандартам соціальної політики в країнах-членах ЄС, покращення якості людського життя, протистояння демографічним змінам, посилення рівня соціального захисту й соціальної єдності, сприянні скороченню бідності, допомозі в подоланні дискримінації в усіх формах її прояву за максимальної паритетності з фінансовими можливостями держави.

Ключові слова: державні фінанси, соціальний захист, бюджетне регулювання, воєнний стан, повоєнне відновлення, воєнна економіка, воєнні фінанси, продовольство, бідність

JEL Класифікація: H12, H53, H55, I32, I38