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Analysis of the state budgets of lower-middle-income and upper-middle-income countries: Evidence from Ukraine and Libya

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Abstract. Government regulation plays a crucial role in the formation and development of the economic structure of any modern society. One of the most important financial mechanisms allowing the state to carry out economic and social regulation is the budget. The main purpose of the empirical analysis is to identify common features and differences of the state budgets of Ukraine and Libya. The key indicators of the state budgets of Ukraine and Libya, the dynamics of the structure of budget revenues and expenditures, as well as the dynamics and structure of non-oil revenues of Libya's state budget are analyzed.

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It was concluded that the state budget of Ukraine for the study period was formed with a deficit. Libya's state budget has a different trend over the period, but the World Bank experts predict that in 2020 Libya will have a deficit of about 10% of GDP. This situation indicates the need to optimize both revenue and expenditure budgets. Income from foreign governments and organizations exceeded income from capital transactions in 2014, a result of increased international support for Ukraine amid the military conflict. At the same time, political and economic uncertainty in Libya, instability of oil and gas production and exports, instability of state budget revenues, the high share of government budget expenditures in relation to Libya's GDP, which the government does not plan to reduce, make the problem of optimizing the state budget for Libya more urgent than ever.

Keywords: state budget, GDP, budget revenues, budget expenditures, budget optimization, Ukraine, Libya.

JEL Classification: E62, H61, H72

1. INTRODUCTION

The level of economic and social development of a country depends on how much income will be attracted to the budget and how efficiently the expenses from the same budget will be carried out.

An effective system for managing revenues and expenditures of the state budget is a priority of budgetary policy at this stage of economic development.

Only if the formation of the revenue side and the use of the expenditure side of the budget are effective, it is possible to balance them and, as a result, increase the level of socioeconomic development of a country.

The level of financial resources and the quality of budget expenditures significantly depend on a country's governance system. According to Vyhovska et al. (2018), "the budgetary policy model depends on the phase of the economic cycle and the potential for the discretionary measures' implementation". This is also confirmed by many other studies, including Kozmenko and Korneev (2014). Since the purpose of budgetary policy is to take into account social and economic interests of the state, it is important to complete the budget and the targeted use of financial resources. The key to balancing revenues and expenditures of the state budget is the optimal structure of building their management system.

The aforementioned clearly applies to developing countries whose income level is below average (lower-middle-income) or above average (upper-middle-income), which is better represented by a comparative analysis of budgetary processes of the two countries.

This paper compares two countries, Ukraine and Libya, which are close in terms of problems.

Both countries are characterized by the presence of armed conflicts, low incomes, difficulties in budgeting and its optimal distribution. It should also be noted that Libya, like Ukraine, after a long existence of a totalitarian economy in the early 2000s, began to actively integrate into world economic relations. It is also characterized by a relatively low level of public administration and a fairly high level of corruption (according to the international rating of the level of corruption), which is directly related to the development of the financial system in the country. In both countries, there is an unstable dynamics in the formation of the state budget deficit, which may indicate the absence of a long-term strategy of economic development and the prevalence of situational decisions in governing the country.

So the task of optimizing the state budget is especially important for both countries, since financial resources are limited, and the deficit budget is overloaded with external loans.

2. LITERATURE REVIEW

The efficient functioning of the financial sector is fundamental to economic development. In turn, the state budget is one of the most important components of a holistic financial system. Since the public finance sector is responsible for the formation, redistribution and use of a significant share of resources accumulated in the budget, a balanced budgetary policy is important for successful socio-economic regulation.

An in-depth understanding of its theoretical essence is a prerequisite for developing a practical budget optimization system. Thus, it is necessary to analyze the approaches of scientists to the definition of economic categories such as "state budget" and "optimization".

Komarnytsky (2006), Onyschenko (2009), and Voronova (2006) consider the state budget as a centralized fund of financial (monetary) resources. This approach is quite logical, since it is based on the understanding of the budget functions, which is the focus of the first author.

In particular, Golovach et al. (1999), Kadatska (2002), and Vasilyk, (2000) consider the state budget as a set (system) of monetary relations.

Kaldor (1939) and Zimarin and Zakirova (2014) consider the state budget as the main instrument of centralization, distribution and redistribution of resources (gross social income).

Hagen and Garden (1995) interpret the state budget as a list of revenues and expenditures for a certain period of time that the government plans and is entitled to implement during that period.

Pasichnyi (2017) notes that a significant share of budget spending and public funds in GDP slows down the pace of economic development.

Zhuravka et al. (2019) mention that shocks generated by political populism are characterized by fiscal dominance in the economy, the use of monetary measures to finance the budget deficit.

Kay et al. (2018) emphasize that the state budget is the projected expenditures and revenues for the next financial year. Hans and Hans-Joachim (1979) understand the state budget as the highest level of the total budget, which includes all government revenues and government expenditures.

Thus, as a result of the analysis of various approaches to the definition of the state budget, it is believed that the state budget is a legally approved plan for the formation and use of financial resources to ensure the fulfillment of tasks and functions assigned to public authorities and local governments.

Given that the strategy for the formation and use of financial resources is shaped within the budgetary policy, to better understand the essence of the state budget optimization, it is necessary to analyze theoretical approaches to defining the term "budgetary policy". As for monetary policy and its relationship with the budget, this issue was investigated by Kozmenko and Savchenko (2011, 2013).

Yuri and Fedosov (2012) consider budgetary policy as the activities of state authorities and administration in relation to the formation and regulation of the state budget to ensure socio-economic development and strategic priorities of the state. According to Cherep et al. (2020), today there are ample opportunities to use budgeting for innovation. Molocwa et al. (2018) studied the impact of the budget deficit on political economy.

Kravets (2018) gives a fairly broad and comprehensive interpretation of the concept of "budget optimization"; he defines this concept as a theoretically sound system of planning, regulation and control of the budgetary system over financial relations by relevant government institutions in the process of creating and using the country's centralized monetary funds. It should be noted that financial relations can take place between certain government agencies, but not on the part of such agencies, but this remark concerns more wording than essence, so it does not matter.

Fischerand et al. (2007) provide a simple definition of fiscal policy that narrows the understanding of the category down to certain decisions made by government agencies regarding a country's revenues and expenditures. The interpretation does not indicate the purpose of such decisions, but indicates the essence. However, in general, this definition is considered incomplete to characterize the meaning of the term. Shkolnyk et al. (2018) note that the transparency of the budget process allows one to see the problematic aspects of fiscal policy and interact with government bodies to solve them.

Thus, having analyzed various approaches to defining budgetary policy, this study determines that budgetary policy is a set of measures of public authorities and local governments aimed at optimizing and streamlining the formation of budget revenues and their efficiency to create favorable macroeconomic conditions in the country.

3. METHODOLOGY

This study used statistical data on the state budgets of Ukraine and Libya, Libya's GDP and other macroeconomic indicators. The period from 2007 to 2019 was examined. All data are taken from the websites of the Ministry of Finance of Ukraine, the World Bank, and the Central Bank of Libya.

The study includes the following stages of analysis: indicators of the state budgets of Ukraine and Libya, the dynamics of the structure of budget revenues and expenditures, as well as the dynamics and structure of non-oil revenues of Libya's state budget.

4. RESULTS AND DISCUSSION

Given the topic of this study, it is advisable to analyze the revenue and expenditure sides of the state budget for 2007–2019.

Table 1

Indicators of Ukraine's state budget for 2007–2019, % of GDP

Year	Revenues	Expenditures	Balance
2007	23,02	24,18	-1,37
2008	24,44	25,47	-1,32
2009	22,96	26,54	-3,89
2010	22,23	28,04	-5,94
2011	23,9	25,33	-1,79
2012	24,56	28,08	-3,79
2013	23,31	27,73	-4,45
2014	22,79	27,46	-4,98
2015	27,01	29,14	-2,28
2016	25,86	28,73	-2,94
2017	26,59	28,13	-1,6
2018	26,08	27,7	-1,66
2019	25,12	26,99	-1,96
Average value	24,45	27,19	-2,92

Source: Compiled by the authors according to the Ministry of Finance of Ukraine.

Table 1 shows that over time, the amount of revenues and expenditures of Ukraine's state budget is growing, what is more, expenditures are growing at a faster pace: for the period 2007–2019, revenues increased 6.01 times, and expenditures – 6, 15 times. Lending from the state budget for this period increased only 2.26 times. The relative indicators (the ratio of revenues, expenditures and lending to Ukraine's GDP) also increased during the study period: in 2007, all government budget revenues of Ukraine amounted to 23.02% of GDP, and in 2019 – 25.12%, the maximum value – 27.01% of GDP – was observed in 2015.

In 2007, state budget expenditures amounted to 24.18% of GDP, and in 2019 – 26.99%, and their maximum value was observed in 2015 – 29.14% of GDP. Meanwhile, lending decreased from 0.21% of GDP in 2007 to 0.09% in 2019, its maximum value – 0.36% of GDP – was observed in 2011.

Having considered the value of revenues and expenditures for 2007–2019, one can say that each year from the period under review expenditures exceeded revenues, that is, the state budget of Ukraine was formed with a deficit. At the same time, the value of the deficit gradually increased: from UAH 9,842.9 million in 2007 to UAH 78,049.5 million in 2019 (an increase of 7.93 times). Although, if we consider the relative indicators, the volume of the deficit did not change significantly: 1.37% in 2007 and 1.96% in 2019. The largest value of the deficit was observed in 2010 (5.94%) and 2014 (4.98), the smallest was in 2008 (1.32%) and 2007 (1.37%).

Political and economic uncertainty, instability in oil and gas production and exports, instability of state budget revenues, high share of government budget expenditures in relation to Libya's GDP, which the government does not plan to reduce, make the problem of optimizing the Libyan state budget more urgent than ever. To identify possible ways of optimization, it is necessary to conduct a detailed analysis of macroeconomic indicators of the Libyan economy, revenues and expenditures of its state budget and the current budget deficit/surplus.

Table2

Dynamics of key indicators of the Libyan government budget for 2007–2019, % of GDP

Year	Revenues	Expenditures	Budget deficit/surplus
2007	63,15	36,54	26,60
2008	67,03	40,65	26,38
2009	53,72	45,87	7,85
2010	65,74	58,25	7,49
2011	38,56	53,59	-15,03
2012	68,35	52,57	15,78
2013	66,87	79,72	-12,85
2014	39,34	80,00	-40,67
2015	43,54	93,11	-68,08
2016	23,46	77,37	-53,56
2017	43,32	63,39	-20,08
2018	73,30	58,60	14,70
2019	73,16	58,42	14,73
Average value	55,35	61,39	-7,44

Source: Compiled by the authors based on the Economic Bulletin of the Central Bank of Libya (2019).

Table 2 shows that the relative values of key indicators of the Libyan state budget as a percentage of the country's GDP have the same trends as the absolute values. The maximum relative indicator of state budget revenues for 2007–2019 was observed in 2018, when revenues amounted to 73.3% of GDP, and the minimum – in 2016 (23.46%), with the average value of revenues relative to GDP of 55.35% GDP.

The maximum amount of expenditures in relation to GDP – 93.11% – was observed in 2015, the minimum – in 2007 (36.54%), the average value of expenditures – 61.39% of GDP. Accordingly, there is a predominance of the average value of expenditures over the average value of state budget revenues. This indicates that in 2007–2019, the state budget was most often executed with a deficit.

Meanwhile, the maximum value of the state budget deficit was in 2015 (68.08%), and the maximum value of the surplus – in 2007 (26.6%). On average, during the study period, the deficit was 7.44%. World Bank experts predict Libya will have a deficit of about 10% of GDP in 2020 (Libya's Economic Update – October, 2019).

The state of the government budget can be judged by revenue and expenditure items. Figure 1 shows the dynamics and structure of revenues of Ukraine's state budget for 2007–2019.

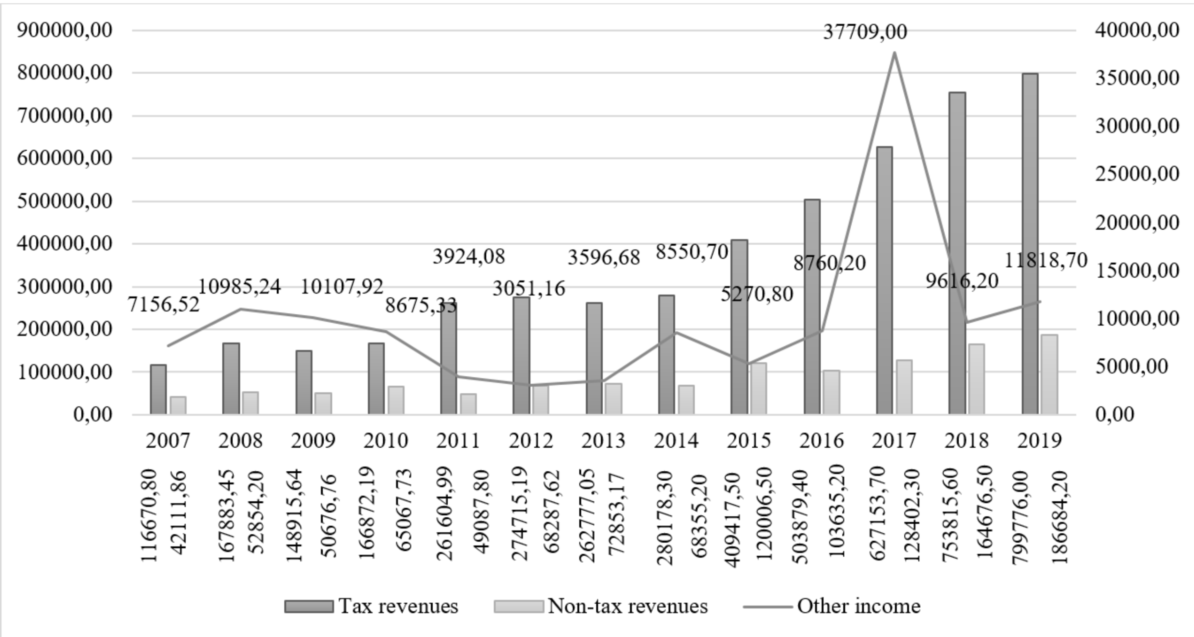


Figure 1. Dynamics and structure of Ukraine's state budget revenues for 2007–2019, UAH mln and %

Source: Compiled by the authors according to the Ministry of Finance of Ukraine.

Tax revenues (see Figure 1) for this period increased by UAH 683,105.2 million, or 585.5%. Non-tax revenues are in second place in terms of budget revenues, but their dynamics is not as stable as the dynamics of tax revenues. In of non-tax revenues increased by UAH 144,572.34 million, or by 343.3%. Other revenues to the state budget make up a small part of them (no more than 4.82% of their total amount). Besides, the amount of other revenues of the Ukrainian state budget has been gradually decreasing since 2011. In 2007–2019, the volume of other income decreased by UAH 1,586.87 million, or 89.66%.

Having considered the structure of the state budget revenues of Ukraine, one can conclude that tax revenues account for at least 70% of total income. The minimum share of tax revenues was observed in 2010 (69.35%), and the maximum in 2011 (83.15%). In the past three years, there has been a tendency towards an increase in the role of tax revenues in the state budget of Ukraine.

The share of non-tax revenues is unstable and has a downward trend: if in 2007 they accounted for 25.38% of total revenue, then in 2019 they were only 18.70%. This trend is quite positive, as in most countries of the world tax revenues are more than 90%.

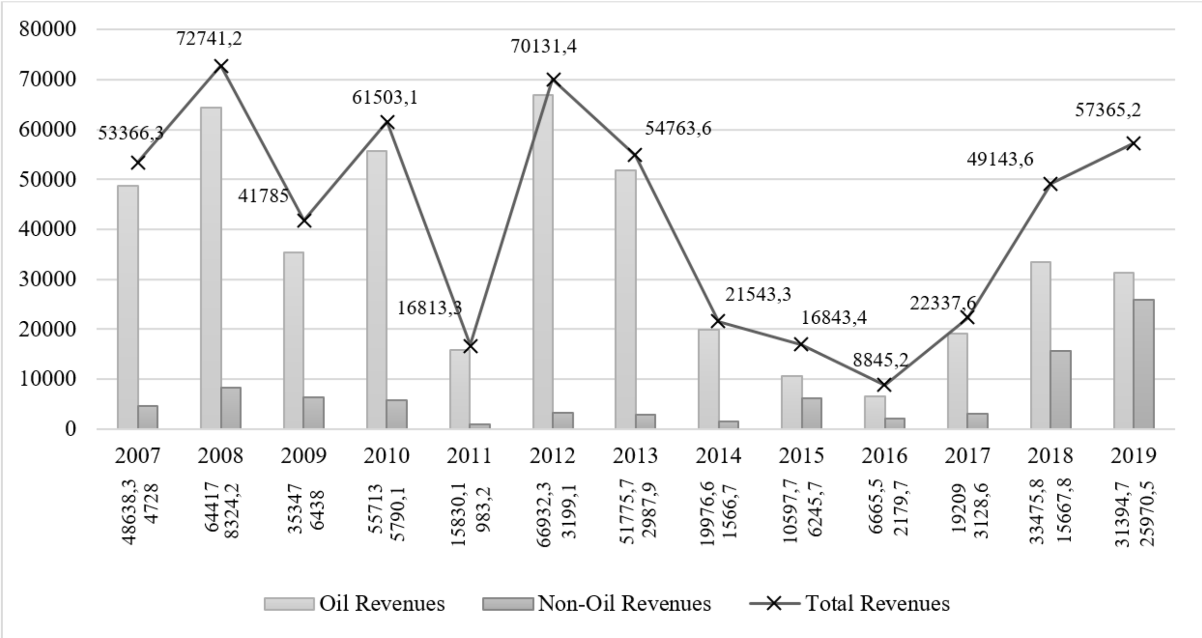


Figure 2. Dynamics and structure of the total revenue of Libya's state budget for 2007–2019, LYD million

Source: Economic Bulletin of the Central Bank of Libya, 2019

Figure 2 shows that Libya's budget is formed at the expense of oil revenues on average for the period under study by 83%. The maximum value of oil revenues in the structure of budget revenues – 95.44% – was observed in 2012, the minimum – in 2019 (54.73%). Such a significant decrease in the share of oil revenues in 2018–2019 is due to the fact that the Central Bank of Libya began to classify income from taxes paid on the sale of foreign currency as non-oil revenues.

For the Libyan budget, non-oil revenues have never been the basis of the budget, which is typical of oil economies (Bornhorst, 2009). During the study period, non-oil revenues averaged only 17.01%. The maximum value of non-oil revenues was observed in 2019 (45.27%), which was associated with a decrease in the amount of oil revenues received that year. The minimum value of non-oil revenues was in 2012 – 4.56%.

Among other revenues of the state budget that were left unconsidered (Figure 3), there are two groups that are more significant in terms of income: income from capital transactions and income from foreign governments and organizations (Homutenko & Homutenko, 2017; Ivashkiv, 2019; Tulush & Skiteczka, 2017). The amount of revenue for the first group for 2007–2019 decreased significantly – by UAH 1,586.87 million or 89.67% and amounted to only UAH 183 million in 2019.

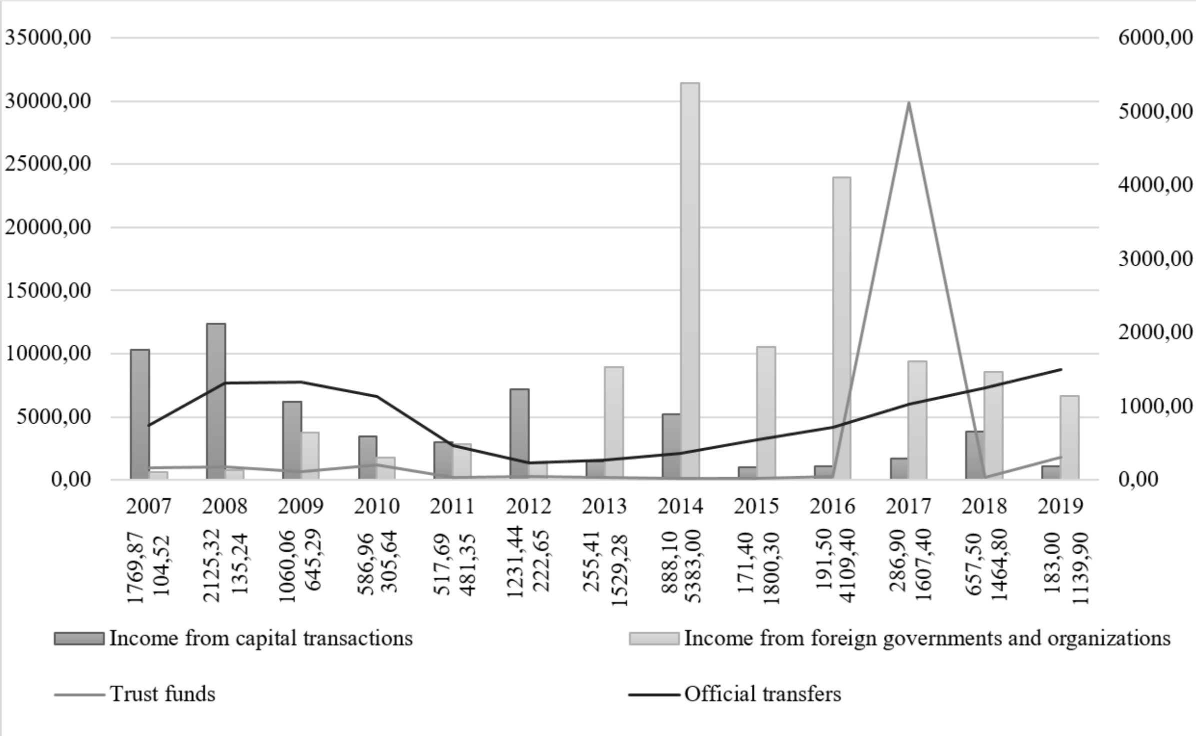


Figure 3. Dynamics of other revenues to Ukraine's state budget for 2007–2019, UAH million

Source: Compiled by the authors according to the Ministry of Finance of Ukraine.

In recent years, revenues (transfers) from foreign governments and organizations have exceeded income from capital transactions. Their volume especially increased in 2014, which was the result of increased international support for Ukraine against the background of the military conflict. For the past five years, Ukraine has been suffering from armed conflicts that cause substantial losses to the state budget. In 2007–2019, the amount of income from foreign governments and organizations increased by UAH 1,035.38 million (by 990.6%) and amounted to UAH 1,139.9 million in 2019. Meanwhile, the maximum amount of income was observed in 2014 – UAH 5,383 million, and in 2016 – UAH 4,109.4 million.

Having analyzed Ukraine's state budget revenues for 2007–2019, one can conclude that budget revenues have increased for almost all groups.

Figure 4 shows that for most of the study period, state budget revenues exceeded expenditures, so the budget was executed with a surplus. For the first time, the state budget deficit for 2007–2019 arose in 2011, which was associated with the outbreak of hostilities in Libya and the overthrow of Gaddafi's regime and, as a result, a reduction in oil production and sales. In 2011, the budget deficit amounted to 6,553.2 million Libyan dinars.

In 2012, the Libyan leadership managed to increase budget revenues even compared to 2010. But the period from 2013 to 2017 was less favorable for Libya in terms of revenue, so Libya's budget during these years was in deficit. The decline in income during this period was due to the civil war, political instability and, as a consequence, a decrease in oil production. The maximum state budget deficit was observed in 2015 – 26,335.5 million Libyan dinars.

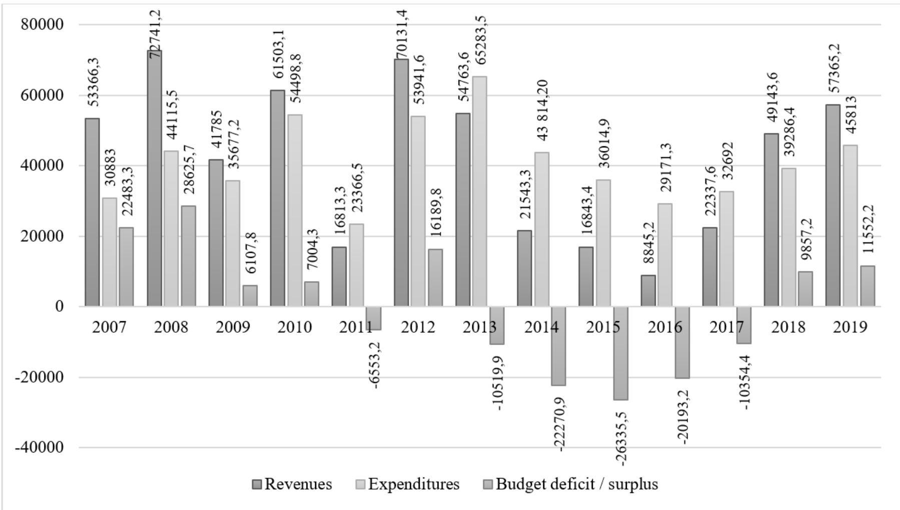


Figure 4. Dynamics of key indicators of the Libyan government budget for 2007–2019, million Libyan dinars

Source: Compiled by the authors based on data from the World Bank and the Economic Bulletin of the Central Bank of Libya.

Since 2018, the Libyan leadership has managed to increase oil production and, by the end of 2018, achieve production of almost 1,000 thousand barrels per day. In 2019, production increased even more – up to 1,100 thousand barrels per day, which made it possible, despite the escalation of the conflict in the center of the country in April 2019, to ensure the execution of the budget with a surplus.

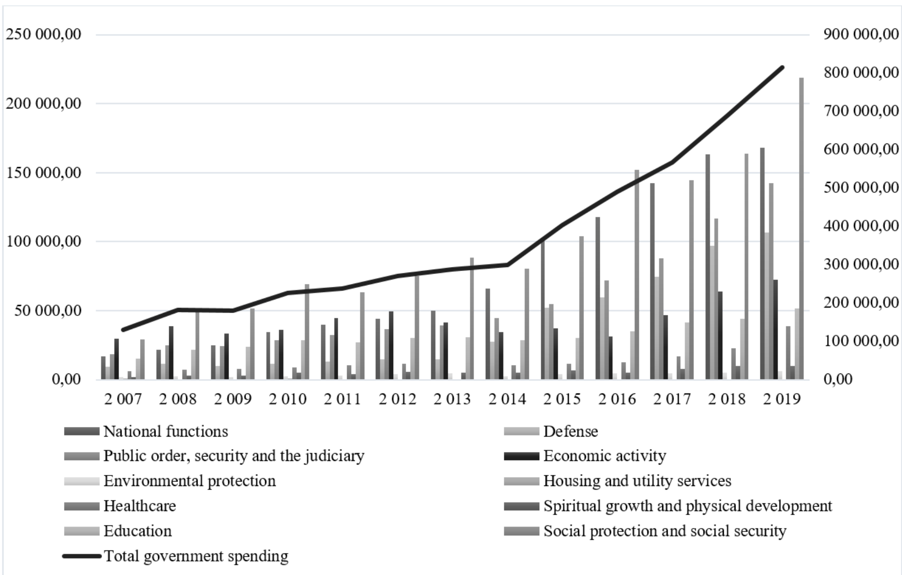


Figure 5. Dynamics and structure of state budget expenditures according to the functional classification of Ukraine for 2007–2019, UAH million

Source: Compiled by the authors according to the Ministry of Finance of Ukraine.

Figure 5 shows that the largest item of expenditure in the state budget of Ukraine in 2019 was spending on social protection and social security. It was UAH 218,628.6 million, which accounted for 26.83% of all state budget expenditures. In 2007–2019, the volume of spending on social protection and social security increased significantly – by UAH 189,408.25 million, or almost 6.5 times, their share in the structure of expenditures also increased, although not so much, only by 4.28%.

In 2019, costs of financing national functions amounted to UAH 168,194.42 million, which was UAH 151,287.81 million more than in 2007 (an increase of 894.9%). The share of spending on national functions increased by 7.6% over the study period and amounted to 20.64% in 2019. A significant increase in public administration costs began in 2014: their maximum value was observed in 2015 (25.59%) and 2017 (25.14%).

Also significant in terms of volume are the costs for public order, security and the judiciary; in 2019, they amounted to UAH 142,389.77 million. In 2007–2019, they increased by UAH 124,074.07 million (by 677.42%). Despite such a significant increase, the share of spending on public order, security and the judiciary did not change significantly – only by 3.34% and amounted to 17.47% in 2019.

In 2007–2013, defense spending accounted for 6-7% of total government spending, and since 2014 their share has begun to grow: 9.13% (2014), 14.12% (2018), and 13.09% (2019). The volume of defense spending in absolute terms increased by UAH 97,211.3 million (1,032.35%) and in 2019 amounted to UAH 106,627.82 million.

The situation with spending on economic activity is interesting. In 2007, its share was 22.95%. Since 2008 and until now, there has been a gradual reduction in costs in relative terms in this area, especially since 2014, when their share was already 11.48%, and in 2019 – 8.88%. If we talk about the amount of such expenses, then, of course, it increased over the period under review, but by only UAH 42,614.94 million (143.25%), and amounted to UAH 72,363.73 million in 2019. The current situation is not conducive to the economic development of Ukraine. Moreover, further cuts in government spending on economic activities could further worsen the economic situation, especially amid COVID-19-related quarantine measures.

Over the period, spending on education decreased by 5.35% and amounted to 6.34% in 2019 (the minimum value for the period under study). The absolute value of spending on education, on the contrary, increased by UAH 36,506.94 million (240.98%) and amounted to UAH 51,656.62 million in 2019.

Moreover, the percentage of spending on environmental protection (0.62% reduction over the period; in 2019, the value was 0.78%), housing and utility services (reduction of 0.55% over the period; 0.01% in 2019), healthcare (reduction of 0.14% over the period; 4.73% in 2019), and spiritual growth and physical development (reduction of 0.31% over the period; 1.22% in 2019) decreased.

Figure 6 shows that the discovery and production of oil have led to an increase in the relative ratio of government spending to Libya's GDP. If in 1962 government spending was only 24% of total GDP, then in 1975 it was 50% of GDP. Then, for more than two decades, government spending ranged from 30 to 40% of GDP. The largest increase in the share of government spending occurred after the 2000s, with an increase in oil and gas production and exports: in 2015, this figure reached 89% (maximum value), but in 2019 it dropped to 58%.

The share of administrative expenditures and subsidies in total government expenditures has always been quite high – even in 1962 it accounted for 62% of government spending (Ftas & Mihov, 2001; ElAnshasy, 2011). By the 1990s, the share of these costs had risen to 74%, but by 2005 it had dropped sharply to 37%. Since 2005, the share of administrative costs and subsidies has increased again, reaching 90% in 2019, a record for Libya. It is interesting that the share of such expenditures in the structure of the state budget increases in the period when oil and gas production decreases, and the volume of revenues to the state budget from their implementation decreases, and vice versa (Attiga, 1972).

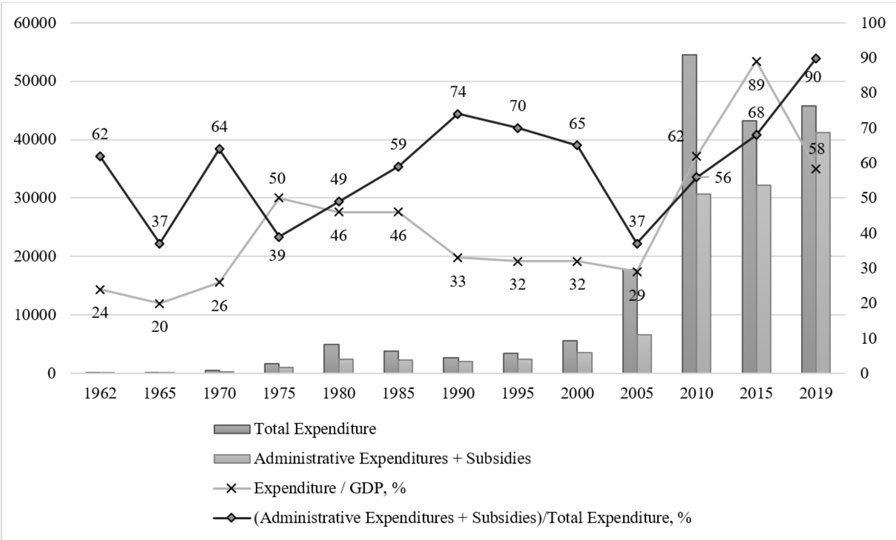


Figure 6. Dynamics of government spending in Libya after the discovery of oil (1962–2019), LYD million, %

Source: Compiled by the authors based on the Economic Bulletin of the Central Bank of Libya (2019).

Next, consider the development expenditures of the Libyan government budget. In 2007–2019, they decreased significantly – by 51.38% compared to 2007. On average for the period, their share in the structure of satte budget expenditures was 23.52%, the maximum value was observed in 2008 (65.52%), and the minimum in 2011 (0%). The decrease in development expenditures is due to an increase in budgetary administrative expenditures, subsidy expenditures and volatility of oil and gas revenues amid declining production (Khan & Mezran, 2013; Badi et al., 2019).

This situation with development costs leads to reduced funding for important infrastructure projects, economic development projects, education, etc. In addition, an almost entirely consumption-oriented state budget reduces Libya's chances of achieving economic growth. Therefore, it is very important for the country to review its own economic, budgetary and fiscal policies.

But, unfortunately, in 2019 and early 2020, Libya faced a deteriorating political situation and a blockage of oil and gas production and transportation, which led to a decrease in GDP, government revenues, and stimulated the outflow of investments from the country. Lingering political uncertainty makes economic stabilization, let alone recovery, unlikely. Against the backdrop of deflation, growth remains subdued. Expenditure rigidity keeps budget deficit high.

Public finances are expected to improve slightly in 2021–2022, but the inflexibility of current spending, combined with volatility in oil revenues, keeps the overall fiscal position of the country volatile. Although the World Bank predicts that oil revenues will grow in 2020 (up to 47% of GDP), they will barely cover wage growth, which will reach 48% of GDP (The World Bank in Libya).

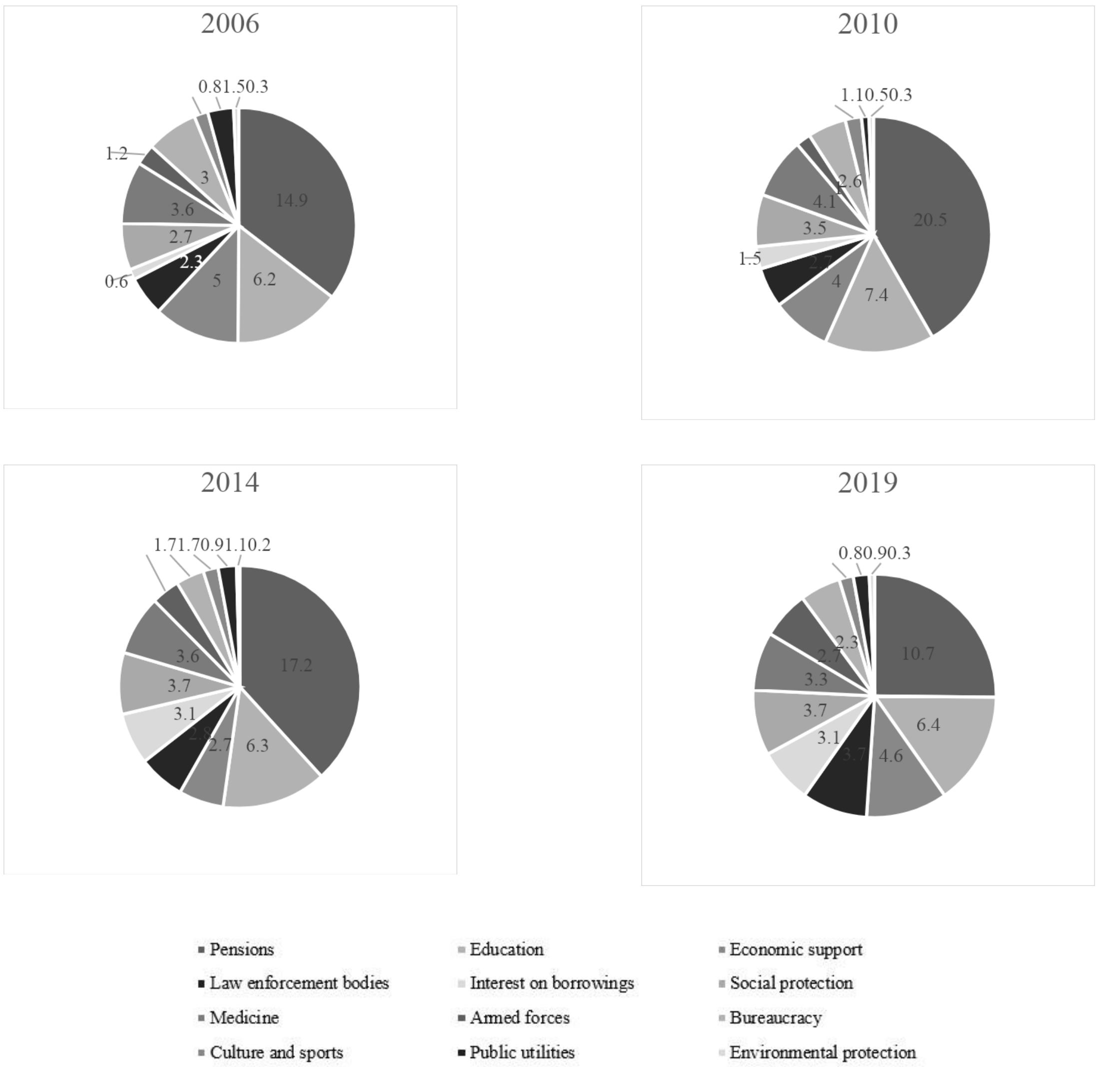


Figure 7. The composition of state budget expenditures by functional classification as a percentage of GDP for 2006, 2010, 2014 and 2019, %

Source: Compiled by the authors according to the Ministry of Finance of Ukraine.

Figure 7 shows that the largest share of state budget expenditures is spent on pensions: 14.9% in 2006, 20.5% in 2010, 17.2% in 2014, and 10.7% in 2019. In 2019, a significant share of redistributed GDP went for education (6.4% of GDP), economic support (4.6% of GDP), law enforcement bodies (3.7% of GDP), interest on borrowings (3.1% of GDP), social protection (3.7% of GDP), medicine (3.3% of GDP), the armed forces (2.7% of GDP) and the state apparatus (2.3% of GDP). Other types of expenditures do not exceed 1% of GDP, so they will not be considered in this study.

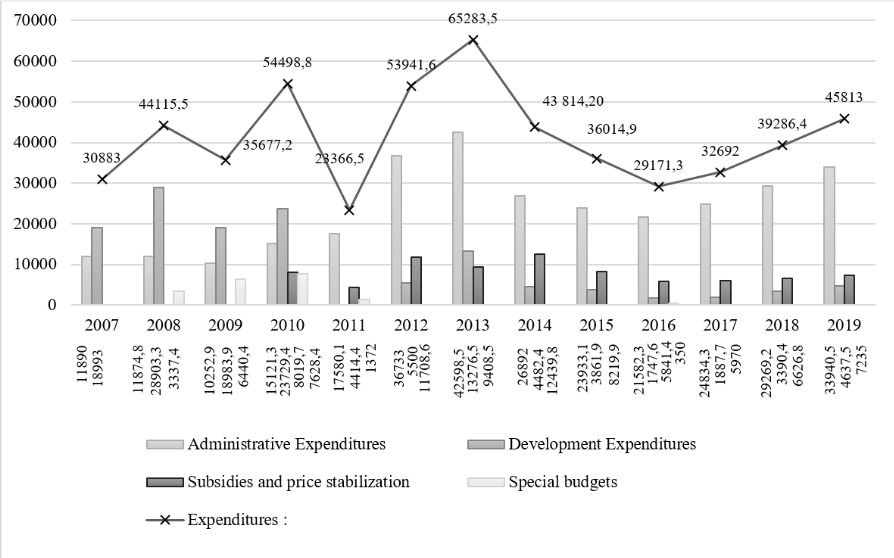
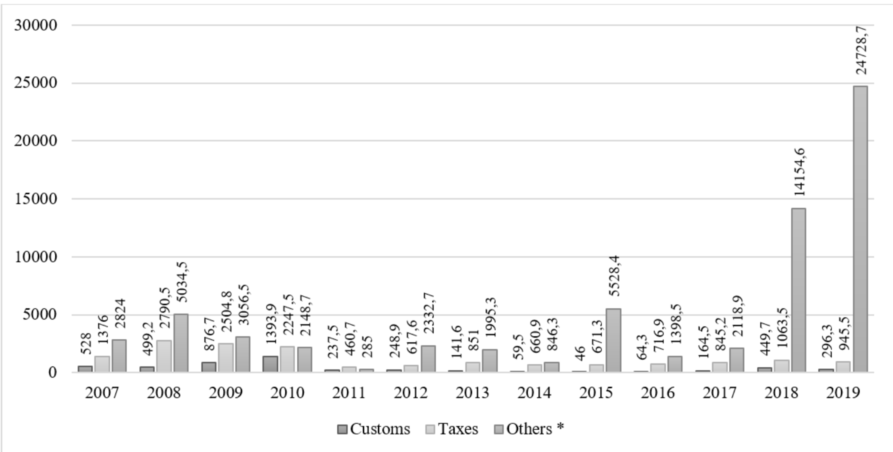


Figure 8. Dynamics and structure of the Libyan state budget expenditures for 2007–2019, LYD million

Source: Compiled by the authors based on the Economic Bulletin of the Central Bank of Libya (2019).

In 2011–2019, administrative expenditures were the largest item in the Libyan state budget spending. During the period, the share of administrative expenditures in their overall structure increased by 35.58% and amounted to 74.08% in 2019. The maximum share of administrative expenditures was observed in 2017 (75.96%), the minimum – in 2008 (26.92%). A significant increase in the share of these expenditures took place in 2011, a crisis year for Libya, when in one year the share of administrative expenditures increased by 47.49%. At the same time, the absolute size of administrative expenditures increased – their amount in 2011 increased by 47.49 million Libyan dinars, or by 171.16% compared to 2010.

A high proportion of administrative and government spending has been characteristic of Libya since the 1960s, when oil and gas fields were discovered and production began.



* Includes revenues from sales tax on foreign exchange since 2018.

Figure 9. Dynamics and structure of non-oil revenues of Libya's state budget for 2007–2019, LYD million

Source: Economic Bulletin of the Central Bank of Libya (2019).

On average, for the period under study, the share of other income was 64.11% of total non-oil revenues. The maximum value of other income – 95.22% – was observed in 2019.The minimum value was in 2011 and amounted to 28.99% of non-oil revenues.

Libya's tax system is based on corporate taxes, capital taxes and personal income taxes: there are 19 taxes in total in the country. Since 2010, corporate income tax has been 20% (until 2010 – 40%) (Libya Corporate Tax Rate, Country profile Libya). In addition, companies operating under the law On Investment and strategic infrastructure projects can be tax exempt. Capital gains are also taxed: they are treated as income and are taxed at the standard rate of 20%.

The personal income rate is differentiated and depends on the amount of annual income: there is a 5% rate for total annual income of less than 120,000 Libyan dinars (up to LYD 1,000 per month or up to USD 945) and a rate of 10% for total annual income of more than 12,000 Libyan dinars. In addition, the tax is levied on unmarried persons (LYD 1,800 per year) and married couples without children (LYD 2,400 per year) (Country profile Libya).

Citizens and businesses also pay social security contributions: employer contributions amount to 10.5% of gross wages (11.25% for foreign companies), and employee contributions amount to 3.75% of gross wages. Services or supply contracts are usually subject to stamp duty (from 1% to 3%) (Country profile Libya).

The maximum share of taxes in non-oil revenues was 46.86% in 2011 (their share increased against the background of a decrease in other types of income for the period), and the minimum – in 2019 (3.64%).

Customs duties make up a very small share of revenues in the structure of non-oil revenues – an average of 8.33%. The maximum amount of revenue from the duty was in 2011 (24.16%), the minimum – in 2015 (0.74%).

CONCLUSION

After analyzing the revenue and expenditure side of the state budget and lending, one can conclude that the state budget of Ukraine was formed with a deficit throughout the period under study. This situation indicates the need to optimize both the revenue and expenditure sides of the state budget in order to form it without a deficit, or at least reduce its share in future periods. Moreover, it is necessary to change the structure of state budget expenditures in order to implement infrastructure and economic projects that will stimulate economic development in the country.

Libya's economy is very different from that of Ukraine. The same applies to their public finance and budgetary process. The main difference between the Libyan economy and the Ukrainian economy is that the former is almost entirely dependent on the production and export of oil and gas. This dependence determines the specifics of shaping the revenue side of Libya's state budget and its expenditure items.

But there are certain similarities between Libya and Ukraine. First, both are in a state of protracted military conflict, which causes significant political instability. Second, amid military conflicts and political instability, the Ukrainian hryvnia and the Libyan dinar have largely lost their value. The volatility of national exchange rates has led to higher inflation and the shadow economy in both countries.

To get out of the situation in Libya, it is necessary, firstly, to ensure political stability in the center of the country, and, secondly, to create conditions for a number of economic reforms. One of the most important of these is the creation of a more diversified economy that can withstand shocks in the global oil and gas market. Diversification is possible only through the development of the private sector in the country (small and medium-sized businesses), which will create new jobs for young people and reduce subsidies from the state budget. Moreover, it is necessary to ensure the transformation of methods of managing oil revenues, so that they are used not only for current consumption, but also for the implementation of Libya's economic development programs.

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