

Development Model for Program-Target Budgeting in Constituent Entities of the Russian Federation

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Abstract. Over the past few years, the introduction of program-target method, that could improve the efficiency of planning public expenditures, has been the priority of the budget policy of the Russian Federation. The aim of this paper is to construct a model for the development of program-target budgeting. As the result of the study the development model for program-target budgeting in the constituent entities of the Russian Federation was constructed. Financial, organizational, methodological and regulatory factors were taken into account in the process of model construction. The application of this model will contribute to the growth of program-target budgeting viability and will increase the efficiency of budget expenditures.

Keywords: budget policy, expenditure planning, program-target budgeting, public finances, efficiency.

1 Introduction

The public finance management system of the Russian Federation has faced with the task of improving the budget expenditures efficiency and their optimization. This task can be achieved through program-target budgeting. Program-target budgeting may be defined as the budget planning process on the corresponding level of the budget system. That process involves both the formation and distribution of budget expenditures for financial support of the implementation of state programs formed on the basis of the priority goals of the socio-economic development of the territory, and monitoring the budget spending effectiveness. Providing the proper organization of program-target budgeting, the quality of budget funds management improves, the processes of formation, implementation and monitoring of state programs are significantly simplified, and the effectiveness of public spending is increased.

Up to now, there has been no detailed investigation of the stages that constitute the whole process of program-targeted budgeting. In addition, there is still very little scientific understanding of the factors affecting program-targeted budgeting at the regional level. Thus, there is an urgent need to construct a model for the development of target budgeting in the constituent entities of the Russian Federation.

This paper attempts to consider the following tasks:

- to determine the content of the main stages of targeted budgeting at the regional level;
- to identify and systematize the main factors affecting the development of program-targeted budgeting in the constituent entities of the Russian Federation;
- to construct a model for the development of targeted budgeting in the constituent entities of the Russian Federation.

The specific objective of this study is to construct a model for the development of targeted budgeting in the constituent entities of the Russian Federation. To achieve this objective the main factors affecting targeted budgeting in the regions of Russia need to be analyzed. The model will increase the efficiency of spending state budget funds.

2 Methods

This study uses the following methods: theoretical (dialectical logic, methods of scientific abstraction); diagnostic (analysis, modeling); empirical (comparison and generalization, grouping); experimental (observation and practical calculations); methods of mathematical statistics and graphic representation of the results.

Experimental data for this study were collected using the state programs of the Samara region.

3 Results

Nowadays, many changes have been implemented because adapting new public management and financial methods to public institutions and organizations are differed. Especially a new trend which supports improving performance has been a matter of public administration, so performance indicators, performance agreements and strategic plans have been preferred in the public sector context in different countries [1].

Performance-based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information [2].

According to Nataliya Melnichuk, the quality of the budgeting performing and the level of socio-economic development of the country depends on the correct definition of budget targets [3].

It is argued in Robert K. Goertz that target-setting process is very important in the light of suggestions about how the budget process can be adapted to promote government [4].

Today, when implementing targeted budgeting, authorities experience a number of problems. For example, it is not uncommon for developers of government programs to adjust target and final indicators to the allocated amounts of funding, due to budgetary opportunities, which negatively affects the effectiveness of program implementation [5]. Many state programs in Russia are developed in several versions: “a program plan”, which represents the need for budgetary allocations for the implementation of program activities, or “stipulated in the draft budget”, which represents the amount of budget provisions allocated from the budget of the RF constituent entity for the implementation of program activities [6]. This strategy is unacceptable and discredits the program approach itself.

In addition, there are no provisions in the RF regulatory acts that articulate the need for the state programs to contain the goals and objectives specified in strategic planning documents. [7]. At the level of the constituent entities of the Russian Federation there is an inconsistency in the adoption of state programs, the simultaneous implementation of an unreasonably large number of small programs that are little related to each other [8].

The conclusion to emerge from the literature analyzed is that unified conceptual methodological provisions for the development and implementation of state programs have not been formulated yet [9]. And as it is argued in R.R. Yarullin in Russia targeted budgeting is mainly focused on ensuring compliance with formal procedures. There are no real incentives and effective tools for increasing the efficiency, accountability and transparency of the use of budgetary resources, determined by the objectives of public policy [10].

Five major stages were revealed in the process of program-target budgeting in the constituent entities of the Russian Federation.

1. Listing state programs in accordance with the priorities of the socio-economic development of the RF constituent entity and approving the main parameters of the programs.

2. Defining the goals and objectives, a set of measures, their dates and stages of implementation, as well as participants, resource support, indicators of implementation of state programs.

3. Determining the financial capabilities of the budget of the constituent entity of the Russian Federation, forecasting indicators of state financial support for the period of their operation.

4. Approving the volume of budget allocations to provide financial support for the implementation of state programs in a constituent entity of the Russian Federation for the next financial year and for the planning period.

5. Evaluation of spending budget funds efficiency, making decisions on the need for further implementation of state programs.

Analysis of the development of budget planning at the level of constituent entities of the Russian Federation revealed the factors contributing to the development of program-targeted budgeting in the regions. These factors were divided into three groups: financial, organizational and methodological, and regulatory.

1. Financial factors:

- an objective justification of the need for financial support to implement state programs;
- budget funds sufficiency to financially support the implementation of state programs;
- higher budgets appropriations sufficiency to ensure financing of state programs jointly administered by federal and regional authorities;

- attraction of extrabudgetary sources of financing.

2. Organizational and methodological factors:

- coordination of state programs with strategic planning documents;
- the availability of uniform organizational and methodological foundations of targeted budgeting, including methods for assessing its effectiveness;

- interagency coordination of actions in the process of state programs development and implementation;

- effective examination of government programs for resource support and target indicators determining, etc .;

- the availability of a risk management system in the course of the state programs implementation.

3. Regulatory factors reflect the appropriate regulatory framework for state programs development and implementation at the regional level.

Each stage of program-targeted budgeting is implemented under the influence of relevant factors, which makes it possible to develop a model for the development of program-targeted budgeting in the constituent entities of the Russian Federation (Figure 1).

The model reflects three areas of development of targeted budgeting at the regional level.

A. The logical structure of programs. This direction involves the achievement of the following tasks.

1. Coordination of budget and strategic planning of the territory.

2. Setting a specific, unambiguous goal of the state program and defining the corresponding tasks.

3. Setting a specific goal and responsibility for each ministry participating in the state program.

5. The correlation of goals, objectives, activities, and target indicators of programs.

6. Promoting interconnection with related state programs.

B. Financial support of the programs.

1. Development of programs based on the resources of budgets.

2. Determining the optimal size of budget allocations for the implementation of state programs.

3. Attraction of extrabudgetary financial resources.
 4. Change in the program indicators values depending on fluctuations in funding levels.
 5. Availability of alternative financing options for programs.
- C. Monitoring the effectiveness of budget spending.
1. The presence of an effective methodology for assessing the effectiveness of budget expenditures.
 2. Auditing the program effectiveness.
 3. Expanding the powers of the financial management regional ministry in the implementation of control over budget expenditures effectiveness.

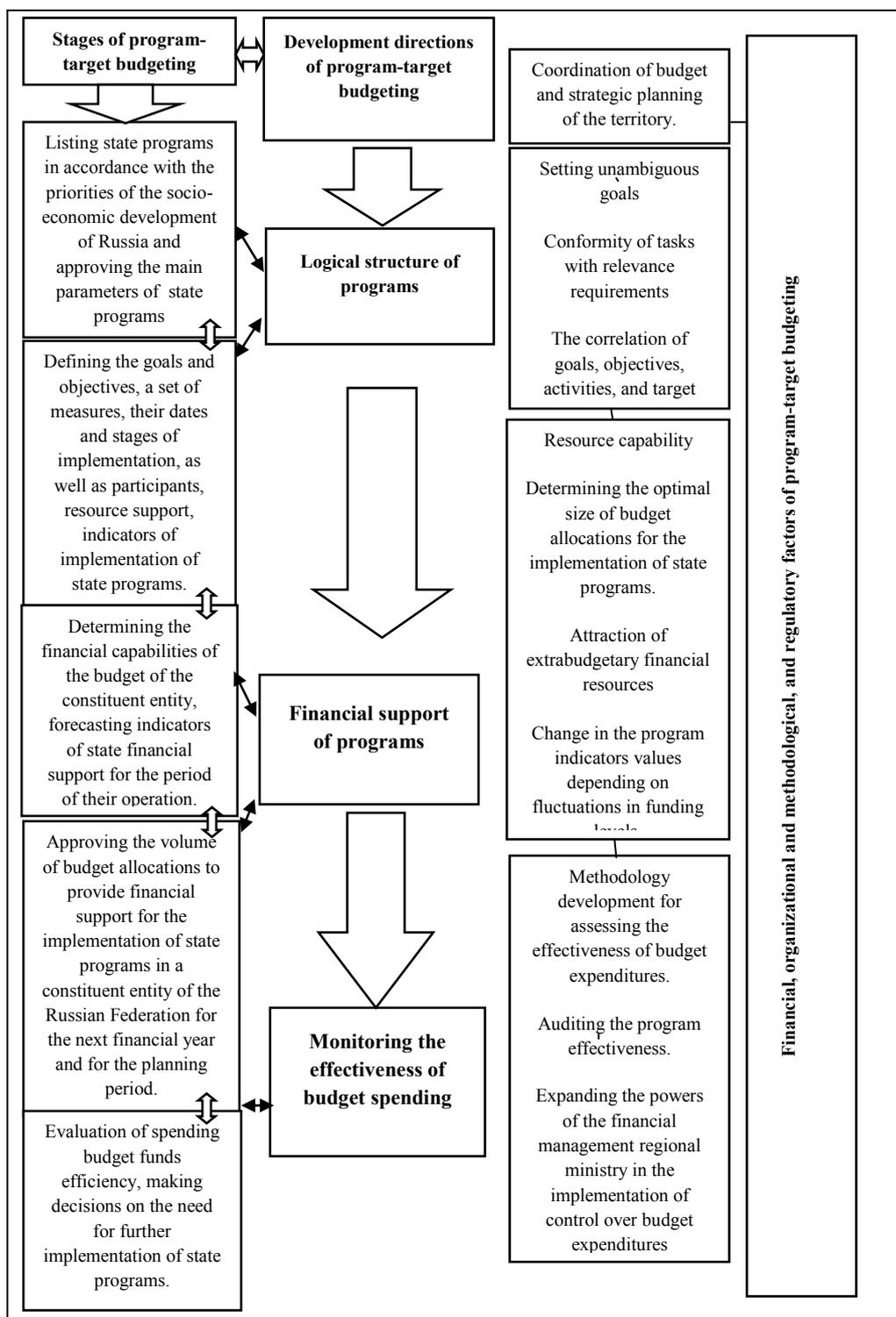


Figure 1. Development model for program-target budgeting (Source: authors)

4 Conclusion

Thus, this study has determined the content of the major stages of program-targeted budgeting at the regional level. The second major finding was that the main factors affecting the development of program-targeted budgeting have been systematized. This allowed constructing a model for the development of targeted budgeting in the constituent entities of the Russian Federation. The findings of this study have practical implications. The results of this research should help to improve the efficiency of state budget funds spending.

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