On the Essence of Budget Planning Methods in the Context of the Possibility of Results-based Approach Implementation

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Abstract: In modern practice, the majority of budget planning, including the Russian Federation, the basic approach is the approach Scoring (budgeting, results-oriented). The paper investigates the essence of the basic methods of budget planning in terms of the feasibility of results-based approach within each method.

Key words: Government • Authorities • Budget • Expenditures • Planning • Method • Program, • Result • Norm • Expert • Evaluation

INTRODUCTION

The threat of global economic instability, which in the last decade is the dominant economic development for every state in the world, as one of the main directions and tasks for any subject brings savings available resources, saving surpluses for their possible future use in crisis situations. This problem is important both for the state and for companies and households.

For each state and a member of its part of the territory saving resources provided through the formation of the corresponding budget based on results-based approach. Every ruble, dollar, euro budget category should provide a certain outcome for society, the economy, infrastructure, etc.

Formulation and measurement of results, to achieve which will be allocated budgetary funds, are important components of the budget process. In accordance with the most common concepts in the course of the budget process provides interaction of government institutions, political parties and the public, which predetermines the significant challenges and complexity for the formulation and measurement of results. As noted by David N. Hyman, “the budgetary process comprises a system through which politicians, bureaucrats and citizens interact politically to propose, debate, approve and ultimately spend the funds for items in the budget”(Hyman, 1990).

The contribution of each of these categories of the budget process in the formulation, the measurement and the final approval of performance indicators, which are planned to achieve certain budget expenditures is definitely different. Generally accepted international practice is the openness of goals, objectives and results of operations, which includes their public discussion, the comparison with the interests of different groups and populations, with business entities. Thus, residents and business representatives influence the formation of the results to be achieved in a certain period of time based on the use of budget appropriations. Administrative bodies and institutions in different countries under an open policy on formation performance contribute to public confidence in state government. Most clearly expressed in this thesis Government Performance Results Act of 1993, which is used in the practice of budgeting in the United States since 2003: “the purposes of this Act are to improve the confidence of the American people in the capability of the Federal Government” (updated document was adopted in 2010).

Direct work on the wording and quantifiable indicators of expected (probable) results of the use of budgetary funds is part of the activities of state and local authorities. Due to the fact that we are talking about the results of the use of budgetary funds, work to establish planned results should be considered as part of the budget process and if more specifically - budget planning.

Thus, it can be argued that the implementation of results-based budgeting approach can be achieved by applying classical methods of budget planning. Focus on the most significant of them.

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Expert Evaluation as a Method of Budgeting: The method involves the use of expert assessments of professional specialists' opinions on various aspects and this opinion can be formulated as a separate expert (individual evaluation) and a team of experts (collective assessment). This method is widely used in virtually all spheres of human activity, including the widely spread in the budget system.

In connection with the ideology of results-based approach, the method used by expert assessments:

- To identify the most important areas of work priorities App budget, which will be designated as strategic fields of activity of the authorities, working in the space which will be crucial for the development of the country as a whole, for the level and quality of life - in particular; because, in essence, is to ensure a certain standard of living of citizens and institutions of power are (as noted by Jay K. Rosengard, “one of the primary functions of government is to generate resources from its people to spend money improving the lives of its people”);

- For the selection of indicators, which can be considered as the results of the use of funds in the identified priority areas, it is essential to correlate the specific application area of budget and proposed outcome indicators, to avoid situations in which these figures are not objectively reflect the characteristics of the specifics of any field of activity;

- To group performance results according to various criteria, for example, the experts have to answer the question, what results can be achieved in the short term and what - in the medium or long term, experts need to determine what kind of results can be considered as primary or direct and what will be the end, ie caused achievement of immediate results (and so on).

- To assess the possible risks that may arise in the implementation of a program as part of the public authorities and may have a negative impact on the possibility of achieving practical results established with professional experience of experts is also able to offer a set of preventive measures aimed at preventing potential problems and (or) the leveling of their consequences.

Method of expert estimates is an integral part of budget planning, results-oriented. However, the use of expert assessments is important to understand that this method is characterized by a high level of subjectivity and the quality of final conclusions predetermined by a person of a particular expert. If in a given situation will play a major role not an objective reflection of the status quo and future needs of the objective of society and state, but only positioning personality expert, his personal interests - there is a chance that his proposed development priorities, as well as performance results are subjective, unfounded that create problems in terms of their achievement, will not achieve a higher level of economic development and living standards.

Norm (Normative) Method of Budgeting: Normative method of budget planning, unlike targeted program planning, used in the practice of government for several centuries. The first rules and regulations are natural limits set by governments of countries in the Middle Ages, for the military and government officials (for example, natural food consumption standards, materials for clothing, resources for heating, etc.). In modern practice, budget planning regulatory method continues to be used widely.

Specifically, the standard method of budget planning involves:

- Establishment of certain normative values of financial costs per unit of state or municipal services, which will provide services in accordance with established standards and quality requirements;

- Establishment of certain natural (resource) and normative values of costs per unit of work and (or) services, the observance of which will provide services or perform work in accordance with the standards and quality requirements;

- Establishing a specific standard of services to some population (e.g., the standard number of calls ambulances), which will ensure a level of security of citizens socially significant services, because, in essence, the budget and must guarantee a certain number of different services to the citizens of a certain city, region, state, country (“budget... is a spending plan that is... setting priorities for the quantity and quality of services to be provided and / or the transfers to be made”(Ulbrich, 2011)).

Within results-based regulatory approach method is used with certain restrictions.

For example, cost or financial standard - it is not the result of the use of budgetary funds and a certain amount of funds that must be expended to provide a certain amount of service (in this case the result will be just as times of services !). Natural norm - or the amount of
resources in kind, which must be expended to perform a scope of work/services - it is also not the result but the condition of achievement (i.e., a certain amount of work/services).

In addition, the basic drawback of the standard method of budget planning is that the deficit of financial resources can achieve compliance with established volumes provide state or municipal services due to lower standards of financial or natural service unit costs. Formally, the volume of services (which can be viewed in context as a result of the use of budgetary funds) will be achieved, but whether it complied with the quality standards, the interests of the population?

On the other hand, you can control parameters (standards) costs per unit of service while maintaining the established volumes of services. But can we at the same time talk about the result? For example, the shortage of funds in compliance with the normative number of students in an educational institution can reduce the financial cost of standard 1 student by eliminating, for example, the cost of free meals or extra classes...

The above facts suggest that the standard method of budget planning must be applied in a results approach, but it should be of disadvantages of the method and influence them through the use of regulatory planning in conjunction with other methods.

Program Method of Budgeting: Software method in budget planning or program-target method at the present stage of development of public finances has been transformed into a global concept of budget planning, which was named program budget. From the planning and implementation of specific social or economic programs (which was typical of the first stage of implementation of the principles of budgeting, results-oriented) to the present time the leading states of the world (since 2010 - the Russian Federation), the transition to full reorientation of the budgets of all levels to achieve socially significant socio-economic benefits through the aggregate cost of government programs on the basis of ideology “program budget” (each program - is the direction of a certain entity government: Ministry Committee). As noted by Holley H. Ulbrich, “program budget defines a group of related governmental activities..... Each of these activities would have a budget” (Ulbrich, 2011).

Thus, it can be argued that the program or program-target method of budget planning, which was erected into an absolute principle of the governing bodies within the concept of “program budget”, fully reflects the ideology of the results-based approach to budgeting. This is due to the fact that in accordance with the program-target method in the planning stage establishes a connection between the budget allocation and the results that will be achieved in a given period by the use of allocated resources.

Due to the fact that virtually all of the funds of a budget when implementing “program budget” is distributed among a set of desired results, created the conditions for the effective use of resources, funds more efficiently allocated between programs (“program budgets may give managers more flexibility about the allocation of funds within the program”) (Ulbrich, 2011). Also based on the ideology of “program budget” provides a clear understanding of what needs to be done to achieve results within a specific department, ministry, etc., the activity of administrative bodies and institutions more effective. Focusing on the stated objectives and activities identified in the framework of the objectives results, you can minimize the proportion of policy decisions, mentioned by Alan J. Auerbach in his work Public Finance in Practice and Theory, prepared in 2009, the Munich-based lectures founder of the modern theory of public finance Richard Musgrave: “politicians do some of the things they do because they do not understand the economic consequences of their actions” (Auerbach, 2009).

An important advantage of program-target method, ideology (concept) “program budget” is that each program should consistently in the medium and long term to ensure the achievement of socially significant results. This possibility is based, inter alia, on the principle of competition between programs, which means in particular the possibility “of making decisions about... reducing the budget for the in future years” (Ulbrich, 2011).

CONCLUSION

- Given the limited budget, the public sector characteristic of almost every country in the world, Scoring approach is the main direction of development of the theory and practice of budget planning.
- Scoring approach provides efficient allocation of limited budget and most fully realized through the use of program-target method of budget planning.
- Method of expert evaluations actively used within the results-based approach, the regulatory method used subject to certain limitations.
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