

Nataliya O. Istomina<sup>1</sup>

## TRANSITION TO PROGRAMME BUDGETING: CURRENT PROBLEMS AND THEIR SOLVING

*The article describes the key problems related to the transition to programme budgeting in Russian Federation, their negative consequences are outlined. Recommendations are provided to enhance the quality of budget activity within the programme framework.*

*Keywords: budget reform; programme budgeting; planning.*

Наталія О. Істоміна

## ПЕРЕХІД ДО ПРОГРАМНОГО БЮДЖЕТУ: АКТУАЛЬНІ ПРОБЛЕМИ ТА РІШЕННЯ

*У статті розглянуто основні проблеми, пов'язані з переходом до програмного бюджету в Російській Федерації. Описано негативні наслідки таких проблем. Надано рекомендації щодо підвищення якості бюджетної діяльності в програмному форматі.*

*Ключові слова: бюджетна реформа; програмний бюджет; планування.*

*Літ. 10.*

Наталья А. Истомина

## ПЕРЕХОД К ПРОГРАММНОМУ БЮДЖЕТУ: АКТУАЛЬНЫЕ ПРОБЛЕМЫ И РЕШЕНИЯ \*

*В статье представлены существенные проблемы, связанные с переходом к программному бюджету в Российской Федерации. Описаны негативные последствия проблем. Представлены рекомендации, направленные на повышение качества бюджетной деятельности в программном формате.*

*Ключевые слова: бюджетная реформа; программный бюджет; планирование.*

**Problem statement.** Significant changes in the budget system of Russian Federation have been performed during the last decade, from 2004 to 2014. In particular, during the period under consideration new elements have been introduced in budget practice, such as medium-range budget planning, establishing public and municipal budget objectives, long-term special purpose programme, common account of the federal budget, assessing the efficiency of budget spending according to the established principles of budgeting oriented on results etc.

The resulting accord of these profound changes in the budget field, uniting numerous innovation and brand new approaches, has been the transition to programme budgeting and the programme method of budget spending structuring.

This transition essentially presents a complex of actions by specialists in several sectoral ministries and also financial public institutions (at all levels of public administration) which were based on the decisions of the highest public authorities and current legal regulation.

<sup>1</sup> Ural State University of Economics, Yekaterinburg, Russia.

\* Стаття підготовлена в рамках базової частини державного завдання вищим навчальним заведенням в частині проведення науково-дослідницьких робіт (завдання 2014/238 на виконання державних робіт в сфері наукової діяльності в рамках базової частини державного завдання Міністерства освіти і науки Російської Федерації; проєкт «Трансформація і розвиток методических основ формування бюджету суб'єкта Федерації в контексті продовжуваної реформи результатного планування і з урахуванням середньосрокових і довгосрокових ризиків регіональної, національної і світової економіки» на 2014–2016 роки).

Today Federal Budget and all budgets of Russian Federation subjects are being formed on the programme principles; budgets of the municipal levels are also gradually shifting to this programme format. However, there are still quite a number of issues related to the budget system functioning within this new framework which are not yet solved.

"Additional research is needed, aimed at providing the transformations within the system of public (municipal) finance management basing on the creation of various mechanisms and instruments of programme budget formation" (Makarova, 2012: 8).

Detailed research on all the problems related to programme budget transition would allow the objective assessment of drawbacks in the existing budget planning to develop new solutions which would be helpful for increasing the quality of programme budget planning (which in itself is an important practical task at the current stage of Russian budget system development). Such research would also enable the improvement of budget planning for the subjects of Russian Federation within the general framework of a bigger research project "Transformation and development of methodological grounds for budget formation for federal subjects in the context of the ongoing reform of result planning and taking into account mid-term and long-term risks of the regional, national and world economy" which has been scheduled for the years 2014–2016 (#2014/238).

**Latest publications analysis.** Various aspects related to the formation and implementation of Russian Federation programme budgeting and also to peculiarities of similar foreign practices are considered by numerous Russian researchers. Targets, classification and principles of programme budget formation have been considered in (Afanasiev et al., 2010). As noted by (Shash et al., 2013), in accordance to the very ideology of programme budgeting, «budget expenditures are distributed by programmes which themselves represent a list of certain measures aimed at the achievement of particular objectives, and the obtained results are evaluated on the basis of certain indicators of efficiency". Besides that, Shash (2011) also considers the problems related to programme budgets formation and mentions that successful transition to programme budgeting should be based on a range of significant financial changes, in particular, related to the modernization of all financial processes, reorganization of administration structures, increased professionalism related to all fields of financial activities.

Transition to programme budgeting in all the countries where it took place was predetermined by the growing interest in control over budget spending, and also interest in trustworthy information on spending the funds obtained as a result of taxation and their fair distribution between tasks and objectives of public executive bodies functioning (Belenchuk et al., 2011). Belenchuk et al. (2012) also have considered the specific features of programme budgeting in France, where budgeting is performed according to the administrative model. Makarova (2012, 2013) and Tishutina (2012) have researched the theoretical aspects and directions for further improvement of programme budgeting within the general budget process.

**The research objectives.** This study aims at formulation and grounding of the author's approach to transition to programme budgeting, developing also recommendations on quality increase of budget activity within the framework of programme budgeting.

**Key research findings.** We find reasonable to start with outlining the most important contemporary problems at the current stage of transition to programme budgeting.

*First*, transition to programme budgeting in Russian Federation is being performed simultaneously with other reforms in budget relations and financial field in general.

As mentioned above, programme budgeting as a new direction in budget relations reform unites in itself various novelties, already implemented in budget practice, and also brand new solutions and approaches. Besides that, transition to programme budgeting is being carried out on the background of budget institutions reorganization which is granting to some of them the status of "autonomous", significantly widening the financial independency of such institutions. In parallel to this, Russian Federation is currently undergoing tax reform, the reform of budget payments and some other changes, crucial to the economy.

As noted by Baksha (2006: 136), on the one hand, "carrying our several reforms at the same time is... the evidence of a complex and systemic approach to budget process transformation". Indeed, if every change is performed consistently and in a long term, one can lose the comprehensive vision of the final general result to be achieved after the full range of reforms. For this reason, often each stage of reforming contains a certain set of reform to be carried out simultaneously.

On the other hand, if programme budgeting as one of the direction in budget relations reforms is implemented against the background of previous not yet finished or ambiguous reforms, there is a risk of mistakes and ambiguity accumulation, and this would lead to decreased value of transition to programme format of budget. For example, till now there is no established and fully approved process of costs efficiency assessment at the level of particular activities and certain institutions. This, therefore, decreases the accuracy of assessing efficiency at higher levels.

For this problem a solution can be comprehensive revision of results achieved during the implementation of reforms in the budget field, including those started before the transition to programme budgeting. During this revision problem areas are to be detected – where a problem was revealed, a decision was presented but never implemented. These detected problem areas should be divided into two groups: 1) necessary to work with taking into account the requirements of programme budgeting; 2) excessive, not recommended for practical work.

Besides that, if a programme budget requires, it can be also expedient to make a decision on expanding the list of activities within the budget reforms.

Taking into account all of this would promote the well grounded transition to programme budgeting, also decreasing the probabilities of more problems related to the contents and practical implementation of other budget changes, decreasing the costs related to budget reforms and increasing the perception level both within the budget institutions and general population.

*Second*, the absence of unified standards to formation, implementation and control over the programme budgeting performance.

Transition to programme budgeting in Russian Federation is being carried out under rather tight deadlines, therefore, it can be successful only on condition there is a clear vision of the structure of public (municipal) programmes, of the procedures included into efficiency assessment, of the connection between the programmes of

various levels of powers and administration – and provided there is full legal coverage of all aspects of programme budgeting.

Unfortunately, not only budget legislation today is missing a number of important issues which could have increased the quality of programmes budgets contents, but also the very "methodology of programme budget at various levels (federal, regional, municipal) of budget process management remains to be underdeveloped" (Makarova, 2013: 7).

Such a situation leads to confusing and contradicting actions in the process of budget formation and its implementation in the programme format. Often, programme budget is being introduced only in its shape, and no particular attention is paid to the structure of programme, its public (community) discussion and financial expert evaluation. Due to this programme budgets tend to become inefficient in solving different socioeconomic problems and as an administration mechanism they therefore do not provide long-term development of territories.

We argue that the solution to this problem is the unification of requirements and methodological approaches to the development and implementation of public (municipal) programmes. For Russia the most rational solution would be to use the administration model of programme budgeting which starts with determining the planned (expected) results from spending the budget funds" (Belenchuk et al., 2012: 15).

Considering that within the framework of many public programmes in Russian Federation today many regional and municipal units get grant aid, it is the federal level that is supposed to determine the methodology of work at regional and municipal levels.

The uniformity of requirements and standards in programmes budgeting would enable the standardized and formalized control over the contents and the results of all programmes implementation at all levels.

Despite the undoubted importance of the territorial independence principle in budgeting, transition to programme budget on the level of methodological decision needs to guarantee the same course of budget reforms for all territorial units (Tishutina, 2012: 187). Keeping the same course in budget reforms is important because quite often regional and municipal authorities feel the lack of professionals capable of efficient decision-making on the contents of budget municipal and regional programmes.

*Thirdly*, determining the long-term development objectives and financial support for state, regional and municipal programs in Russian is being carried out under the conditions of rather limited financial resources.

Any state on any stage of its development has a certain set of long-term objectives concerning its socioeconomic development which serves as a guideline for all authority bodies at all levels. These objectives, essentially, describe some sort of preferable condition (status) to be achieved during a set period of time by all industries and sectors using public efforts and public funding.

However, programme budget formation is not only about setting objectives on further development. Each objective is to be presented as a separate programme, and budget in general is supposed to confirm these objectives-programmes by the corresponding volumes of financial resources. Programme budgeting is a set of pro-

grammes, each of them has its own share in the supply part of a budget. Planned expenditures from budget are determined by income opportunities of a particular territory, and naturally, these are always limited to some extent.

Consequently, development objectives (and so, programmes objectives too) are in direct correlation with the volume of available financial resources in a budget. And if this volume is not sufficient for achieving the whole set of the determined objectives in full volume, there would appear the necessity to adjust the objectives – or to attract additional financial resources. Both of these ways out has its advantages and drawbacks.

Adjusting the already set objectives according to the volume of available in budget financial resources might be strongly undesirable since such a situation leads to less positive changes and less reforms, and also to hindered growth. On the other hand, such adjustment would help avoiding extra debts for a budget and would also make the general economic policy more realistic and grounded.

If, taking into account the forecast on potential incomes, there would be a decision made on attracting additional resources to budget (by means of crediting, issuing securities etc.), this would enable reaching more significant socioeconomic changes, however, at the same time this would also cause the growth of indebtedness, distracting a significant share of resources, in future, on serving this debt. And all of this altogether would impact negatively upon the financial provision of public functions of the state.

To solve this problem we need to improve the quality of forecasting the financial resources volumes (that is income) for the budget system as a whole and for particular budgets too. While setting the socioeconomic development objectives and forming the programmes it is vital to follow the principles of feasibility and to take into account the actual, existing financial capacities of a budget. This includes, inter alia, ranging the development objectives and defining the order of their adjustment to a potential situation when budget incomes forecast gets worse and also in a situation when there appear additional income sources. This has been to be carried out within the long-term planning on which programme budgeting is essentially grounded. Long-term planning is vitally important here because truly significant socioeconomic changes cannot be achieved in a short or medium term.

#### **Conclusions:**

1. Problems related to Russia's transition to programme budgeting, are of objective nature and, on one hand, are related to the peculiarities of Russian budget practice, mentality etc., and on the other, they are also related to rather stringent requirements of programme budget itself as a technology of budget planning and budgeting in general.

2. Awareness of these problems allows reducing the negative impacts while transitioning to programme budget. It also helps realizing the true value of programme budgeting as a tool for solving socioeconomic problems.

3. The most rational and reasonable way of problem-solving is forecasting and preventing them. In Russian Federation this is often practically impossible due to rather short time assigned for transition to programme budgeting. Therefore, in the process of this transition a constant control over this process is needed along with real-time adjustments and forecasting potential consequences in the long term.

**References:**

- Афанасьев М.П., Алехин Б.И., Кравченко А.И., Крадинов П.Г.* Программный бюджет: цели, классификация и принципы построения // Финансовый журнал (Научно-исследовательский финансовый институт).— 2010.— №3. — С. 5–18.
- Бакиа Н.В.* Экономическая и общественная результативность институциональных преобразований в сфере бюджетного планирования // Вестник Тюменского государственного университета.— 2006.— №3. — С. 136–146.
- Беленчук А.А., Бусарова А.В., Лавров А.М.* Переход к программному бюджету: опыт Франции и российская практика // Финансы.— 2012.— №7. — С. 15–20.
- Беленчук А.А., Ерошкина Л.А., Прокофьев С.Е., Сидоренко В.В., Силуанов А.Г., Афанасьев М.П.* Программный бюджет: лучшая практика // Финансовый журнал (Научно-исследовательский финансовый институт).— 2011.— №1. — С. 5–22.
- Макарова С.Н.* Совершенствование инструментов формирования программного бюджета // Финансы и кредит.— 2012.— №25. — С. 8–16.
- Макарова С.Н.* Теоретические аспекты программного бюджетирования в сфере государственных и муниципальных финансов // Финансы и кредит.— 2013.— №48. — С. 7–14.
- Тишутина О.И.* Реформирование бюджетного процесса: основные направления, проблемы и пути их решения // Проблемы современной экономики: Евразийский международный научно-аналитический журнал.— 2012.— №2. — С. 187–190.
- Шаш Н.И.* Построение программного бюджета и оценка эффективности программ. // Финансовый журнал (Научно-исследовательский финансовый институт).— 2011.— №2. — С. 55–64.
- Шаш Н.И., Бородин А.И., Татуев А.А.* Проблемы перехода на программный бюджет: новые вызовы бюджетной политики России // Terra Economicus.— 2013.— Т. 11, №4-2. — С. 145–152.
- Шаш Н.И., Бородин А.И., Татуев А.А.* Формирование федерального бюджета Российской Федерации на основе государственных программ: диагностика проблем // Вестник Северо-Осетинского государственного университета им. К.Л. Хетагурова.— Серия: Общественные науки.— 2013.— №4. — С. 507–514.

Стаття надійшла до редакції 31.03.2015.