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IMPLEMENTATION CHALLENGES OF PERFORMANCE BUDGETING ON REGIONAL AND LOCAL LEVELS IN RUSSIAN FEDERATION⁸

Local budget's expenditure management is the important part of sub-federal budget policy. It is determined mainly by conditions of budget process and system of composition, ratification and execution of budget (concerning expenditures). So budgeting improvement is important instrument of increasing the effectiveness of expenditures on the level of subjects of federation and municipalities.

In Russia, budget policy improvement is aimed at creation of conditions for effective management of state and municipal finances, according to socio-economic policy of the state. Among the possible measures there are:

- focus on long-term purposes of socio-economic development of the country and expenditure priorities of federal budget (including the possibilities of their defrayal);
- guaranteeing the forecast of conditions' of budget's forming on all the levels including federal, regional and local ones;
- transition from one-year to medium-term budget planning, assuming budget expenditure structuring for 3 years;
- forming the monitoring system of socio-economic effectiveness of budget expenditures with the use of indicators which can qualitatively and quantitatively estimated for budgets of all the levels.

In world practice for carrying out such measures one should mention performance budgeting (PB). Performance budgeting is a method of planning, execution and monitoring of budget, which distributes resources among goals, purposes and functions of the state, according to priorities of state policy and social meaning of direct and terminal results of budget execution [1]. PB gives an opportunity to measure up expenditures and results, to choose the most effective ways of budget resources spending, to estimate an extent of pre-arranged results' achievement and their quality in proper time. Results can be estimated by either quantitative or qualitative indices, which should be measurable and comparable. Using the PB principles allows to construct a budgeting accenting results management due to responsibility reinforcement, and widening independence of budget institutions (and budget managers) within the strict medium-term guiding line.

Medium-term performance budgeting is a permanent process. It means that forward-looking plans for second and third year of previous medium-term budget cycle becomes a foundation for first and second year plans of current budget cycle. This approach allows a coordination between one-year budget plan and medium-term planning.

⁸ This article was prepared as part of the 7th Framework Programme FP7-PEOPLE-2011-IRSES Project No. 295050 FOLPSEC – Functioning of the local production systems in the conditions of economic crisis (comparative analysis and benchmarking for the EU and beyond).

The advantages of performance budgeting model are clarified by following potential [1, 2]:

1. Separate planning of current and accepted liabilities, which allows not only to consider their different characters and role in budget planning better, but also to carry out a decision succession during a planned period.

2. State provision of social goods and services people really need;

3. Transition to performance budgeting allows to consider *sine ira et studio* the current trends of expenditure and to break down many expenditures, being carrying out only traditionally, without proper socio-economic justification of its necessity.

4. Approval of maximum budget for budget planning subjects on 3 years. At the same time, decision making is carried out with taking into account the priorities of medium-term policy, instead of momentary after-effects.

5. Strengthening the responsibility of the state ministries for terminal result, which is not just an accordance of certain services' amount or fulfillment of some range of works, but orientation on specific quality indexes.

6. Increase of decision validity, concerning state expenditure due to increase of informational supply.

The advantages of budget process based on PB within medium-term planning are clearly seen from the point of view of new budget classification, taking into consideration the procedures of budget working up and discussion. One should note that these procedures create conditions for administrative accountancy. Particularly, it applies to forming of forward-looking financial plan of Russia for 3 years and, above all, its new aspect and role in budget process. In 2005 significant changes in law were done. They resulted in changes in principles of structure and composition of forward-looking financial plan. The table 1 shows these changes.

Table 1.

Changes in the principles of forward-looking financial plan

Before 2005	Since 2005
<ul style="list-style-type: none"> – for 3 years; – needn't ratification; – weak correlation with the yearly budget; – aspect is not determined; – stages of working up are not determined; – current and new liabilities are not marked; – extended functional classification; – without departmental section; – every year anew. 	<ul style="list-style-type: none"> – for 3 years; – is ratified by the federal government; – strict correlation with the budget (with the same parameters, as year before); – 3 stages (main parameters, plan, detailed plan); – 3 tables; – separate planning of current and new liabilities; – functional classification is not obligatory; – departmental section is obligatory; – «sliding triennial».

Source: Лавров А. М. (2005), *Бюджетная реформа 2001–2008 гг.: от управления затратами к управлению результатами*. // Финансы. – 2005. – № 9. – С. 3–12. (Lavrov A. M. Budget reform 2001 – 2008: from input management to result management. // The Finance. 2005. – № 9. – P. 3–12).

Apparently, the modifications of budget working-up conditions promote better organization of budgeting, because forward-looking financial plan is ratified by The Russian Government and first-year parameters of 3-year period correspond with federal budget project, under further parameters correction of second and third years.

In Russian literature, most of researchers consider performance budgeting as one of the most important parts of budget reforming [1, 3]. The importance of it is critically strengthened during current crisis. Today one must get maximum social and economic result by previous or even smaller amount of budget assignment.

Beside all above-mentioned opportunities of performance budgeting to improve budget process, PB includes some restrictions. Some authors [3, 4,] note, that PB cannot cover all the problems of expenditure management. They mean fields where quantitative evaluation of expenditure quality cannot be always connected with results (e. g. work of courts, armed forces, medical and educational organization, etc). Such results are fully explained. Performance budgeting is an attempt of application of quasi-market mechanism to public sector. Otherwise, it doesn't create a market sector, but make state organization work on market-like principles. So, Russia is not ready to apply PB because there is no government, responsible to the society, political competition, separation of powers, primacy of law, free mass media, low corruption etc [4].

Thus, PB includes many problems and suits mainly for easy routine management functions, and cannot be used for many practical purposes. In Russia, introduction of PB reflects interests of central power (in the case of maximum financial centralization), and minimum responsibility suits to bureaucracy. One needs power, others need irresponsibility, so Pareto improvement is achieved. Thus, PB creates an illusion of good bureaucracy [4].

Besides, it is necessary to mark one more important aspect of PB using. Introduction of PB is multi-stage process, which must cover all the levels of budget system, and on every level, PB using has some specific features.

Till now principal attention in PB introduction, including methodic elaborations, was paid on federal level. They have been carrying out this work since 2004, but the work hasn't yet been done. One should mention, that PB system as a whole hasn't been realized nowhere abroad yet. We can see only its fragmentary use for specific budget expenditures on every level of budget system. According to experts, the reason of it lays in the fact, that types of required results (social effects and/or budget services), which form PB system, are not determined. Also, in relationships between regions and municipalities two aspects of PB introduction are critical.

Firstly, one should choose, how to estimate results of budget services: by achievement of certain parameters of these services or by stimulated socio-economic effects. Secondly, there is a problem of practical using of effectiveness parameters immediately in budget planning. It is generally known, that practical using of PB requires distinct revealing of intermediate results determined, as a rule, in absolute parameters, and terminal social results, determined in degree of achieving (right up to 100%). At that, prospective results of budgeting shouldn't be achieved at any cost, when minimization of budget expenditures ends in itself. PB method requires

rationalization, but not minimization of budget expenditures. So, elaboration and using of parameters' system are very important for estimation of achievement of pre-arranged budgeting results and its quality.

Some authors propose rational minimization of budget expenditures without decrease of budget services' quality and quantity as integral indices of socio-economic effectiveness of budgeting in a given fiscal year [3]. Generally speaking, the socio-economic effectiveness of performance budgeting's execution is seen only as a trend. This trend is got through estimation of social results. So, socio-economic effectiveness of budget's execution is a degree of achievement of pre-arranged terminal social results of budgeting, and rational minimization of budget expenditures. As terminal social results one can mention:

- increase of percentage of employed people (that were unemployed);
- increase of percentage of cured patients without loss of ability to work;
- increase of percentage of cured patients with positive medical result;
- decrease of children death-rate in maternity hospitals;
- decrease of women death-rate in maternity hospitals;
- decrease of part of second-session schoolchildren;
- increase of part of schools, connected to internet.

Using of such indices (which are social standards) in PB needs quantitative expression, even in financial form.

Financial expression of social standards is financial standards, which can be used for calculating of financial volume on social expenditures. Financial standards are determined for one unit of budget services. But there is a problem: in market (competitive) economy with instable prices in conditions of territorial differentiation one cannot determine these standards on federal level. So, practical use of PB needs decentralization not only within determination of result-evaluating indices, but also in system of regional social and financial standards, which expand federal social standards to the conditions of local circumstances.

In a conclusion let's accentuate, that fiscal incomes centralization strengthening has resulted in devastation of territorial and especially of local budgets. This leads to poor financial support of local power and worsen critically the opportunity of PB using on local level. There is also a problem of strengthening of local budgets incomes through the redistribution rationalization of incomes throughout the vertical line of budget system.

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ІРИНА ТЕЛИЧКО

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ОСНОВНІ ТЕНДЕНЦІЇ РОЗВИТКУ СВІТОВОГО РИНКУ ЕНЕРГОРЕСУРСІВ

Розвиток світової економіки супроводжується нарощуванням енергоспоживання, особливо в країнах, що динамічно розвиваються. Це викликало перш за все перенесення енергоємних виробництв у країни з меншою вартістю трудових ресурсів, в той час як найбільш розвинуті країни перейшли до ресурсозберігаючого типу економічного розвитку. Нерівномірність розміщення запасів енергоресурсів призвела до зростання обсягів міжнародної торгівлі ними та загострення конкуренції як світовому енергоринку, так і на регіональних ринках енергетичних ресурсів.

У той час як головними споживачами енергоресурсів є високорозвинені держави і країни Азії, основна частка світових запасів вуглеводнів сконцентрована в порівняно невеликій групі країн, що розвиваються та країн з перехідною економікою. Такі великі споживачі, як США, Євросоюз і Китай зосереджують свої як економічні, так і політичні ресурси для експансії на одні й ті ж ринки, що і призводить до зростання конкуренції.

В останнє десятиліття на світовому енергетичному ринку сформувалися наступні важливі тенденції, які при некерованому перебігу можуть загрожувати стійкості даного ринку [1]:

- зміна взаємовідносин між споживачами і виробниками, посилення конкуренції за обмежені енергоресурси;
- високі темпи зростання енергоспоживання і зміна його регіональних пропорцій;
- висока частка і зростаючі обсяги споживання органічного палива;
- уповільнення темпів зростання пропозиції енергії;
- зміна структури пропозиції енергоресурсів та підвищення ролі окремих постачальників;
- зростання цін на енергоносії та їх волатильність;