

## OPTIMIZATION OF BUDGETARY EXPENSES (ON THE EXAMPLE OF THE SAMARA REGION)

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**Keywords:** budgetary expenses, result-oriented budgeting, productivity audit, efficiency and productivity indicators, target programs, independent establishments.

Management of state expenditure is an important part of budgetary policy. Authorities try to adjust expenses to priorities, to co-ordinate indicators of efficiency and productivity to budgetary expenses and to reduce the budget operational expenditure. Introduction of the result-oriented budgeting changes the concept of management of state expenditure.

Management of state expenditure is an important part of budgetary policy. It is defined by the conditions of budgetary process, order of budget planning, approval and utilization regarding expenses, and also the control over its utilization. In the conditions of crisis the authorities of the subjects of RF and the local authorities try to adjust expenses to priorities, to co-ordinate the indicators of efficiency and productivity to budgetary expenses and to reduce the budget operational expenditure.

Introduction of result-oriented budgeting, or result-based management/performance budgeting, changes not only the maintenance of all the stages of budgetary process, but also the concept of management of the state expenditure.

Budgeting is a special method of regulation, an important element of financial planning of the activity of local authorities. Its sequence is defined through a number of stages: the formulation of system of goals and the of strategy their achievement (plan); a complex of actions on their achievement (program); financial estimates, statements of financial condition and financial performance (budget). Financial planning is a special technology of planning based on the use of budgetary methods, including accounting organization and control over the movement of funds and the results from the operational and tactical and strategic points of view.

The use of budgeting in management has a number of advantages: budgeting on the basis of calculation and the analysis of financial parameters allows to estimate in advance the financial solvency of certain kinds of economic activities of the authorities of the subjects of the Russian Federation and the municipalities; budgeting allows to make the budget "transparent"; to reveal and involve in business the

idle and the inefficient assets (objects of property), to optimise their structure.

Result-oriented budgeting leads to the changes in the character of responsibility of branch divisions of controls. They are responsible for achieving the planned results. Improved accountability must be accompanied by an increase in autonomy in expenditure of funds and authorities have more freedom to use the resources to enhance the effectiveness of programs. With Result-oriented budgeting gives the controllers the opportunity for a partial redistribution of resources among programs and the right to use the savings in the next fiscal year within established limits. All this enhances the efficient use of budgetary resources.

The budget execution monitoring system also varies. The control over target use of means is actually replaced with the control of the conformity of the results to the goals.

The concept of result-oriented budgeting implies maximum openness and accessibility of the entire budget information to all the interested parties to judge how effectively the taxpayers' money is spent and how effective the authorities are.

At present the application of result-oriented budgeting at the regional and local levels can be more successful, than at the federal one. This situation is caused by several factors: it's technically easier to handle the smaller territories; social significance of the costs is simpler to formulate and, as long as local tasks often have the character of particular fiscal services.

In 2008 the Samara region adopted performance management instead of costs management. The government of Samara region passed the Resolution of 17.04.2008 №103 «On the preparation of reports on the results and basic

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directions of activity of the subjects of budgetary planning of Samara region» and the Resolution № 533 of 24.12.2008 confirms «The report on the results and basic directions of activity of governmental body of Samara region in 2008».

Reports on the results and basic directions of activity of the subjects of budgetary planning are one of the major tools in result-oriented budgeting, and represent the formalized system of the goals, tasks and indicators of productivity of the authorities of Samara region, containing information on the key socially meaningful areas of their activity and its results.

Crucial issue for the preparation of the Reports is the supply of the Government of Samara region with the information, necessary for drawing up the draft regional budget for the next fiscal year and for the planned period and the report on the results and basic directions of activity of the Government of Samara region.

Indicators of productivity are the key element of the Reports.

The system of indicators allows to trace the degree of goals achievement and task-solving on a regular basis, to carry out the monitoring of the State expenditure efficiency. The detailed regulation of expenses is abolished and greater freedom of action is given to the managers of budgetary funds.

Such approach allows to estimate productivity of the State expenditure, to raise the degree of responsibility of the managers and the addressees of budgetary funds for their effective utilization, to define optimum resource management system in the interests of the citizens.

Indicators of productivity play an important role in the course of budgetary planning. This data allows to:

- ◆ receive the necessary information for budgeting;
- ◆ estimate the efficiency of performance of the programs, to identify the inefficient programs and the effectively working programs for the purpose of further policy update in the field of distribution of state resources taking into account state policy priorities.

In the course of introduction the estimated indicators can change according to the chang-

ing conditions and the analysis of the previous periods.

However, it is the design of the social and economic efficiency indicators system that causes major problems for the introduction of program-targeted budgeting.

At present program-targeted planning in Samara region is carried out in the form of long-term and departmental target programs. Long-term target programs include large and long terms projects; departmental target programs unite the expenses on granting the services smaller projects. In the three-year target budget of Samara region for the period of 2009-2011 there are 18 target programs.

In our view, the transition to the system of result-oriented budgeting should be carried out gradually. The system of budgets is individual for each organization and, first of all, is defined by the branch of industry it belongs to.

All the steps taken in Samara region form the necessary basis for the transition to performance management and result-oriented budgeting. To continue successfully it is necessary to:

- ◆ raise independence, motivation and responsibility of the authorities and the structural divisions;
- ◆ expand competitive principles of the distribution of budgetary resources among the departments and municipalities;
- ◆ apply methods of estimating the planned and accounting results of the use of budgetary funds and the achievement of the results with the subsequent update on the volumes of financial resources;
- ◆ create the system of internal audit of productivity of work at the departmental level;
- ◆ develop the scheme of performance-related staff incentives;
- ◆ transfer the official bodies into other organizational-legal forms (independent establishments, independent noncommercial organizations) and transfer a part of their functions to private companies.

The considered measures will allow to use the system of result-oriented budgeting more effectively, and, as consequence, will promote the increase in productivity of budgetary expenses in Samara region.

*Received for publication on 25.04.2009*