

BUDGETING AND MANAGEMENT OF PUBLIC FINANCE

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Keywords: budgeting, budget system, public finance, budgetary processes.

The article covers the issues of organizational management of public finances in the context of budgetary management theory and explores the conformity of governmental regulation of the budgetary processes in Russian Federation with the main budgeting principles.

According to the national statistics, the public sector of the Russian economy consumes over 17, 5 % of GDP . At the same time, we have to keep in mind that normal functioning of society without State is impossible in modern day settings. The role of a State is to fulfill the following functions:

- ◆ Distributive function, i.e. public provision of goods and services;
- ◆ Redistribution function, i.e. readjustment (correcting) of income and wealth distribution, in order to promote general believe in society of “fair and square” distribution;
- ◆ Stabilizing function, i.e. utilizing government influence to guarantee high level of employment, sensible price level and adequate level of economic growth while taking into account the impact on a country’s trade balance and balance of payments.

In order to fulfill these and other functions, the state needs the system of public finance management, which would allow a more effective usage of resources

giving a certain structure of income distribution and a known demand level.

In Russian Federation, as well as many other countries, the method of budget management is used in order to manage public finances.

Budgets - are the plans of activities of economic entities and its various economical outlets nominated in financial terms. It’s widely considered that the main goal of a budget is the support of the following three management targets:

- ◆ financial projections;
- ◆ comparative analysis of planed vs. achieved results;
- ◆ evaluation and analysis of identified deviations.

Important distinctions of a budgetary management are the following:

- ◆ establishment of direct connection of certain targets with the plans aimed at their achievement;

- ◆ establishment of a conformity between the plans and actual results achieved, a possibility of operational control of the deviations and identifying the reasons for such deviations;

- ◆ assurance of the sufficiency of planning, conformity of the plans with the actual capabilities of the economic entity and the outer environment conditions, increasing the operational efficiency of alterations once the differences are discovered;

- ◆ coordination of various activities, subdivisions and projects on the basis of one unified plan (budget);

- ◆ division of responsibilities between various areas and level managers of organizational hierarchy responsible for the results;

- ◆ evaluation and comparison of the effectiveness of various business areas, subdivisions and products;

- ◆ applications of scenario approach to planning, evaluation of alternatives.

Therefore, budget management is the system planning, accounting, control and analysis of an economic entity.

We should keep in mind, that the method of budget management used today in Russian Federation has the process-oriented character, i.e. the main object of budget management is the process itself. At the same time, on the modern stage of budgetary reform, which is being carried out in Russian Federation, the attention is focused on the result as the main objective of budgetary politics.

Beginning 2011 reform of the budgetary institutions continues to delegate bigger independence to public sector entities, thus decreasing dependence on government funding of those of their elements that are capable of making mon-

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State regulation of budgetary policy in Russian Federation and its conformity with the principals of budgetary management

Principals of budgetary management	Principals of budget system	Elements of budgetary policy	Government regulations
- establishment of actual connection between target values and plans aimed at their achievement	- authenticity of the budget - addressness and purposive character of budgetary funds;	- structure of budgets' expenditures; - federal target programs; - target programs of regional governments of the Russian federation; - target programs of local governments	- parts 10, 11, 20, 21 BC RF; - federal legislature of federal budgets and budgets of extra-budgetary funds per fiscal year; - legislatures of regional governments of the Russian federation concerning their budgets as well as the budgets of extra-budgetary funds per fiscal year; - decrees of representative bodies of local governments
- establishment of a conformity between the plans and actual results achieved, a possibility of operational control of the deviations and identifying the reasons for such deviations;	-result oriented and effective use of budgetary funds; - overall (total) coverage of budgetary expenditures	- Unified system of budgetary accounting; - Standardized approaches to unified approaches to writing and presentation of budgetary accounting;	- section VIII BC RF; - federal legislature "Concerning accounting"; - decrees of Ministry of Finance of the Russian Federation outlining rules of procedures of budgetary accounting and making of budgetary accounting
- assuring the sufficiency of planning, conformity of such plans with actual abilities economic entities and the conditions of the outer environment, increasing operational adjustments as soon as the alternations are noted;	- differentiation of income, expenditures and sources of financing budget deficits from budgets of budgetary system; - budget balancing; -transparency (openness)	- reinforcement of established standards of income distribution between the levels of a budgetary system; - establishment of unified basis for making, considering and approving the budgets - unified budgetary classification	- part 4, section II, VI и VII BC RF; - decrees of the Ministry of Finance of the Russian Federation outlining the application of budgetary classification; - legislatures of the regional government of the Russian Federation concerning their budgets and budgets of extra-budgetary funds per fiscal year
- coordination of various activities, subdivisions and projects on the basis of one unified plan (budget);	- unity of fund	- consolidated budget of the Russian Federation	
-division of responsibilities between various areas and levels managers of organizational hierarchy responsible for the results;	- autonomy of budgets; - budgetary rights equality of various regional governments of the Russian Federation, municipal institutions ; - jurisdiction of budgetary expenditures	- delineation of responsibilities between Federal government, regional governments and municipal institutions; - assignment of authority to different participants of budgetary process	- federal laws " Concerning the general principles of organization of legislative and the executive branches of regional government of the Russian federation " and "Concerning the general principals of organization of municipal governing of the Russian Federation" - section V BC RF
- evaluation and comparison of the effectiveness of various business area, subdivisions and products;	- unity of budgetary system;	- establishment of identical (uniform) approaches to review and approve the reports budgetary performance	- sections VI and VII BC RF
- Applications of scenario approach to planning, evaluation of alternatives		- establishment of uniform procedures for making and caring out budgets	- BC RF

ey independently therefore optimizing the financial flows.

As the result of meticulous work by the authors of the budgetary reform, presently, the politics of management of public finances of the Russian Federation overall meets the requirements of the budgetary management theory.

The following main tasks of budgetary management were solved:

- ◆ financial forecast is made on the basis of the Federal Treasury's operational data which consolidates the flows of all national budgets on single treasure accounts;

- ◆ comparative analysis of planned and actual results is implemented thanks to the reports about the results and main areas of activities, which are provided by the main administrators of budgetary funds;

- ◆ evaluation and analysis of deviations is made based on the hearings and report testimonies in respect to budget implementation.

Functionally, budgetary politics which is implemented in the Russian Federation is executed in accordance with the main principals and specifications that are the basis of budgetary management theory, at the same time the regulation of budgetary politics is implemented on the level of the Budget code of Russian Federation and the federal laws. That's why despite the presence of a great number of independent budgets that made up the budgetary system, they all comply with uniform rule of organization and carrying out of budgetary processes (see table).

Therefore, we have a rigid model of governmental management of budgetary process in the country. At the same time, budget independence has remained at the level of formation of programs' targets, the presence of own income sources and independence in making decisions

in respect to areas of spendings of their budgets. Nevertheless, the processes and procedures are governed by Budget code and federal laws for all levels of budgetary system.

Thus, we can say that, process oriented budgeting in the Russian Federation became state policy in respect to public finance. Nonetheless, we believe that it is too early to speak about implementation of result oriented budgetary mechanisms.

We believe that to make the result oriented budgeting the state policy, the following issues need to be resolved:

- ◆ the results for each participant of budgetary process have to be outlined in well-defined criteria (either in monetary form or in volume terms);

- ◆ tightening of state financial control, specifically non-departmental one, over the authenticity of the reports about the results achieved.

Consequently, a full scale transition to new methods of budget management will require enormous efforts on the part of federal authorities, regional ones and municipal governments. It is especially important for municipal governments to decide on their management targets in order to have an understanding about the desired results of their activity.

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