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Program-Targeted Budgeting: Advantages, Approaches and Ways of Development in Uzbekistan

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Abstract: Practically all actions of the state should be provided with budgetary funds. Therefore, questions always remain important and relevant: how are budget funds formed and used, what priorities does the budget policy implement? Not only the fulfillment of state obligations and social guarantees depends on this, but also the achievement of the strategic goals of the country's development.

Keywords: budgeting, budget funds, budget policy, performance-based budgeting (PBB).

Introduction

Considering such an important role of budget policy, in many countries the task of increasing the efficiency of budget expenditures and their orientation towards achieving socio-economic results is becoming more and more acute. This is the reason for the introduction of new budgeting approaches. In this case, budgeting means a formalized process of formation and expenditure of public resources?

In recent decades, many countries have been introducing a new conceptual approach to budget planning and execution, the key directions of which are the transition to medium-term budgeting and performance-based budgeting (PBB).

Why is this approach becoming more and more popular? On the one hand, the answer can be very simple - this approach is borrowed from business and is aimed at improving the efficiency of using budget funds. In a number of countries, the insufficiency and inefficiency of budget expenditures, along with a simultaneous increase in the budget deficit, served as an impetus for the introduction of PBB (11). On the other hand, the transition to medium-term budget planning and PB allow orienting the budget policy towards the strategic goals of the country's development. This is especially important, given that setting a strategic goal allows you to determine priorities and scenarios, the choice of which largely determines the success of the country's development. From these positions, the transition to medium-term budget planning becomes an urgent need, as it allows you to calculate the financial consequences of decisions made and programs implemented in the framework of achieving strategic priorities. At the same time, PBB is used as a tool that allows you to plan expenses, taking into account the long-term consequences of decisions and the social effect of their implementation.

The most common PBB model is program-targeted budgeting. In OECD countries, a program-based approach is defined as a system of “budgeting in which allocated funds are linked to measurable results (10). The key idea behind performance budgeting is generating performance information and integrating this information into the budgeting process.

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From a practical point of view, the essence of this approach lies in the fact that financial resources are distributed not by type of cost, but by programs that are formulated on the basis of common goals and strategic development priorities for the medium and long term. Ministries' expenditures are grouped by type of service (outputs), not by type of cost (inputs). This makes it possible to take a critical look at the existing areas of spending and to revise the programs and the tasks (activities) set in them that are not provided with financial resources.

The program-target method takes into account the long-term consequences of decisions made, allows you to compare different ways to achieve your goals and, on this basis, choose the most optimal solutions, taking into account the possibility of implementing different development scenarios. This increases the validity of decisions made, which allows better control over their implementation.

With the introduction of program budgeting, the tasks and functions of all participants in the budget process change. The basis for making budget decisions is not the amount of costs for individual items of economic classification (wages, utilities, repairs, etc.) or the costs of performing certain state functions (education, healthcare, improvement, etc.), but programs focused on to achieve results.

In Uzbekistan, one of the directions for implementing the Strategy for Improving the Public Financial Management System for 2020-2024 is the development of a strategic approach to fiscal policy with a transition to efficiency and effectiveness (3). Increasing the efficiency of budgetary funds is envisaged through the introduction of a program method of budgeting.

In program budgeting, budget execution is assessed in terms of meeting the goals and objectives set. To do this, a system of indicators is being developed that characterizes the degree of achievement of goals and tasks, which allows monitoring and evaluating the effectiveness of budget expenditures.

In this context, the world experience is useful, and in particular, countries such as France, which has successfully introduced the program method of budgeting. The reform of the budget process in France began in 1999. With the adoption in 2001 of the Constitutional Law on Public Finance in France, the reform of the budget process took place as part of the overall reform of public administration (5). The system of budget control in France has been significantly changed: budget transparency has increased, the system of budget control bodies has been modernized, the role of parliament in the budget process and its awareness has increased. The most important innovation of the law on public finances was the change in the structure of the presentation of the budget. Government spending began to be grouped by mission, program and action/activities. The purpose of this change is the transition from the logic of spending to the logic of the result. From now on, the meaning of budget execution is not to spend money, but to achieve the goal.

The structure of the French budget law is interesting. Within its framework, the so-called missions are formulated - the global tasks of the corresponding budget. They are divided into subtasks - programs, and those, in turn, into actions - subdivisions of programs.

Parliament, considering the budget, cannot completely cancel this or that mission. Only programs can be canceled with the subsequent redistribution of funds between other programs of this mission. Missions can be the responsibility of several ministries at once, that is, their implementation will require the creation of not only departmental, but also interdepartmental programs.

The French budget law contains specific indicators that characterize the results achieved (usually there are about 1500). Responsibility for an individual program rests with no more than one ministry, even if it is an interagency program. A responsible person is assigned to manage each program. Within the limits of the expenditures corresponding to the ministerial programs, the responsible person receives almost complete

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freedom to redistribute funds, to transfer appropriations to the next budget year. In exchange for increased flexibility, the program manager must be committed to program objectives and accountable for program cost management. Three criteria are used for this: social and economic performance, service quality and efficiency.

Since 2019, Uzbekistan has been transitioning to medium-term budget planning. The Ministry of Finance develops a draft State budget for the next financial year and budget guidelines for the next two years. Budget targets are formed on a rolling basis, that is, they are annually shifted one year forward.

Since 2020, individual ministries have begun piloting the program method of budgeting. The foundations for medium-term planning and program budgeting are laid down by the Budget Code, according to which the budget request includes such documents as (1):

Analytical report on the results achieved for the previous year and the expected results of the current year. Includes quantitative and qualitative indicators of the activity of a budgetary organization, a recipient of budgetary funds, a manager of budgetary funds, related to the use of funds from the budgets of the budgetary system;

Register of expenditure obligations - a list of activities and activities of a budgetary organization, recipient of budgetary funds and manager of budgetary funds, indicating the relevant act of legislation, which is the basis for its (his) financing from the budgets of the budgetary system. Compiled to analyze the costs incurred for their reasonableness according to the budget classification;

Program for the development of the manager of budgetary funds;

Budget request for the forthcoming period, drawn up in conjunction with the development program of the manager of budgetary funds. The budget request is drawn up by a budgetary organization, a recipient of budgetary funds and a manager of budgetary funds and reflects the expenditures made at the expense of the budgets of the budgetary system in accordance with the budget classification for the past, current and next three years.

These documents are provided to link funding with strategic planning and performance. Results orientation and development of appropriate indicators is the most difficult aspect of the new budgeting concept. That is why special attention is paid to the development of target indicators when piloting the program method. In particular, in the pilot ministries (Ministry of Public Education, Ministry of Health, etc.), target indicators were developed, which were first enshrined in the Law of the Republic of Uzbekistan “On the State Budget of the Republic of Uzbekistan for 2021” (2).

What aspects are important to consider when moving to program budgeting, so that in the future this approach will be the basis for decision-making?

The complexity of the transition to program budgeting is due to the fact that this approach provides for an increase in the responsibility of civil servants for the results achieved. Therefore, in program budgeting, it is necessary not only to change the procedures and procedures for compiling, executing and reporting on the budget, but also the thinking of civil servants must change. Even in developed countries, the introduction of program budgeting was not easy, since the methods used in this process are borrowed from business, and the motivation of officials is different from the motivation of businessmen. The main result of the two-stage reform of the budget system in the UK using contractual relations was the introduction of commercial methods of resource management in the public sector (8).

Program budgeting, being one of the RBB models, requires adjustments in public administration as a whole. PBB should be seen in the broader context of reforms, namely “results-based management” (RBM)

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systems (11). In this context, the administrative reform, declared one of the priorities of the current policy in Uzbekistan, can create the necessary prerequisites and conditions for the development of the concept of results-oriented management, which will serve to expand the application of the program method and its full-scale implementation.

An important aspect of program budgeting is to provide more freedom to the budget holders (line ministries). The traditional system of drawing up an itemized budget involves limiting the powers of budget funds managers, since the main emphasis is on the targeted use of budget expenditures. In program budgeting, budget managers should have more rights to manage budget funds, as they are responsible for their effective use. While increasing accountability for results, they should be free to choose the resources used to deliver services.

In November 2021, by order of the President, the Republican Commission was created to coordinate the development of the Administrative Reform Program of New Uzbekistan for 2022-2023, working groups to develop proposals for determining the status, improving structures and optimizing the staffing units of public administration bodies.

The program method of budgeting provides for the need to develop a new budget classification that ensures the relationship between the structure of expenditures and the goals and objectives of the policy being pursued. This will require a program classification of expenditures, which will be a grouping of budget expenditures by program subprogramme/activities.

While noting the advantages of the new concept, it is important to bear in mind that this type of reform is a long-term process that requires changes in management institutions and budget legislation. As world experience shows, countries where program budgeting is successfully applied have begun to implement it since the 1950s. last century (USA, the Netherlands). Therefore, it is important to consider that the successful implementation of program budgeting will depend on a consistent and integrated approach that can take a decade.

Conclusion

In conclusion, it is important to note that without training and capacity building of personnel at all levels of government, difficulties and problems will arise in the process of applying program budgeting. For a correct understanding and application of this concept, it is necessary to assess the training needs, develop appropriate training programs and train trainers who will conduct training at the level of line ministries, local authorities and other budget recipients.

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