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APPLICATION OF THE PROGRAM-TARGET METHOD IN BUDGET MANAGEMENT

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ABSTRACT

Every country in the world is trying to plan optimally and distribute budget expenditures in the situation of modern market relations. They are doing this in order to achieve a balance between revenues and budget expenses. Each country needs to apply certain methods of budget management in order to achieve such goals. The program-targeted method of budget management deserves special attention. The aim of the article is to study the basic principles of application of the program-target method in budget management. Methods of scientific analysis and synthesis, abstraction and comparison are used in order to reveal the basic principles of the program-target method in budget management. The methodological basis of the study is: Order of the Cabinet of Ministers of Ukraine "On approval of the Concept of application of the program-target method in the budget process"; Budget Code of Ukraine; data of Organization for Economic Cooperation and Development. According to the results of the disclosure of theoretical and practical principles of application of the program-target method in budget management, it is established that: the program-target method in the budget management is one of the most effective

methods of budgeting; the practice of applying the program-target method in budget management is widespread in many countries, including Ukraine; program-target method in budget management is aimed at obtaining the expected results due to the rational distribution of expenses from the budget. It is determined that the key goal of introducing the program-target method in the practice of budget management in Ukraine is to determine the direct correlation between the funds allocated from the budget and the results obtained from the usage of such funds. The study found that in the process of applying the program-target method in budget management, such target indicators as cost indicators, product indicators, efficiency indicators and quality indicators are achieved. The analysis of the articles of the Budget Code of Ukraine revealed that budget programs, executors of budget programs, passports of budget programs and performance indicators from the implementation of budget programs are the components of the program-target method in budget management.

Key words: Program-target method, Budgeting, State program, National budget, Local budget

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1. INTRODUCTION

Every country in the world tries to plan optimally and distribute budget expenses in the situation of current market relations. All countries are doing this in order to achieve a balance between revenues and budget expenses. So, in order to achieve such goals, each country needs to apply certain methods of budget management. According to modern budgeting practice, today a lot of countries around the world use the program-targeted method in budget management in the context of ensuring the appropriate level of budget planning. It allows to plan the budget in the medium term and to achieve expected results from the usage of budget funds.

The subject of this study is aimed at analyzing and studying the theoretical and practical features of the application of the program-target method in budget management.

2. LITERATURE REVIEW

We based on the research topic in the context of revealing the theoretical features of the application of the program-target method in budget management. It is necessary to note the ideas of such well-known scientists and researchers who are conducting researches in this direction.

So, in [1] was stated that the program-targeted method in budget management is one of the most effective methods of budgeting. It allows to organize effectively the system of spending from state and local budgets.

Researcher in [2] notes, that one of the most progressive methods used in the budget management process is the program-target method. Being based on the research [2], the practice of using this method in budget management is widespread in many countries, including Ukraine. The initial bottom line of the program-target method in budget management is to determine the expected results, which later are directed to the necessary funds from the budget in order to achieve such results. The key features of the application of the program-target method in budget management in practice are [2]:

- focus of the program-target method in budget management on the expected results, using a number of programs to achieve them;
- ability to determine the potential consequences of budget decisions;
- high level of responsibility for spending funds from the budget;
- analysis of the expenses and their directions from the budget with determination of the effect obtained from the implementation of such expenses on this basis;
- transparency of budget funds transactions.

While doing the research of the application of the program-target method in the context of planning and execution of local budgets in Ukraine, researchers in [3] identify a number of the advantages from the application of the program-target method in budget management in practice:

1. a high level of control over the results that were obtained in the context of the usage of funds from the budget;
2. availability of data for the society on what the funds from the budget were spent on;
3. a clear sharing of responsibilities between executors for the implementation and results of budget programs;
4. identification of identical programs, which duplicate the expected results with the possibility of exclusion of one of them from the implementation;
5. evaluation of the activities of each of the participants in the budget process in order to determine the share of their participation in the results obtained from the implementation of budget programs, etc.

However, in [4] is considering the foreign practice of applying the program-target method in budget management, states that today this method of budgeting is used in many countries, including Australia, Great Britain, Canada, the Netherlands, New Zealand, USA, Sweden. According to [4], the first application of the program-targeted method in budget management took place in the United States in the mid-60s of the last century. Its provisions were based on the law adopted in this country "On Budget and Budget Reporting Procedures" [4].

In addition, in [4] was emphasized that each country, including Ukraine, must comply with a number of requirements for a successful transition to a program-targeted method of budget management. Particularly:

- a) to improve the structure of budget programs in order to match budget programs at both the national and local levels;
- b) to improve the system of costs by precise analyzing the directions of their investment and the feasibility of such investment;
- c) to introduce the improved system of the reporting the results, which are received from realization of budgetary programs, into the budget process [4].

Studying the main aspects of the application of the program-target method in the management of budgetary resources, author in [5] argues that in order to improve the implementation of this method in practice the next steps should be done:

1. introduction and improvement of the medium-term program-target process of planning and forecasting of budget expenses;
2. formation of a holistic approach to evaluating the results of the implementation and realization of budget programs, for which funds were spent from the budget;
3. implementation of decentralization of program-targeted management using funds from the budget;

4. application of program-target management method at all levels of the budget.

Was studied the peculiarities of the program-target method and its application in budget management in Russia. According to [6], was identified the following key stages of application of this method at the regional level:

STAGE 1) choosing state programs, which reflect the main socio-economic priorities of the country's development;

STAGE 2) establishment of the aim, purposes, tasks, developers and executors of the state programs;

STAGE 3) establishing the financial capacity concerning the implementation the development of the program;

STAGE 4) approval of the amount of budget allocations required for the provision of financial support in the context of the implementation of state programs;

STAGE 5) assessing the level of efficiency of funds expenses from the budget and making management decisions in terms of potential implementation of government programs.

However, in the study [7] of taxes as one of the sources of filling the budget, demonstrate the correlation between the State Tax Service and enterprises, in the context of which is the flowing of tax liabilities to state and local budgets.

In addition, in study [8] researchers consider models of obtaining the maximum amount of preferential corporate income tax, which allows companies to pay taxes to the national and local budgets on preferential terms.

At the same time, in [9] is studied the impact of the efficiency budgeting system on fiscal efficiency in the countries of the Organization for Economic Cooperation and Development. The researcher emphasizes that: "countries that have budgetary consequences if targets are not met tend to have a lower government deficit" [9].

3. MATERIALS AND METHODS OF RESEARCH

The scientific article uses the methods of scientific analysis and synthesis, abstraction and comparison in order to reveal the basic principles of the program-target method in budget management.

The methodological basis of the research is:

- Order of the Cabinet of Ministers of Ukraine "On approval of the Concept of application of the program-target method in the budget process" [10];
- Budget Code of Ukraine [11];
- data of Organization for Economic Cooperation and Development [12].

4. RESULTS OF THE RESEARCH

The experience of applying the program-target method not only in Ukraine but also in other countries should be considered as a part of the study of the practical features of the application of the program-target method in budget management.

According to [10], the key goal of introducing the program-target method in the practice of budget management is to determine the direct correlation between budget funds and results, which were obtained as a result of the usage of such funds.

The program-target method in budget management is based on a number of tasks that necessity that should be achieved, particularly [10]:

5. to promote the transparency of the process of spending funds from the budget and the availability of information about the goals and objectives defined in the budget and for which funds are spent from it;
6. evaluate the activities of participants in the budget process and their role in the results;
7. to achieve a high level of quality of budget policy implementation and a high level of efficiency in the distribution and usage of funds from the budget;
8. to establish increased responsibility of developers of budget programs for the results of distribution and usage of funds from the budget.

Such target indicators as cost indicators, product indicators, efficiency indicators and quality indicators are achieved, the detailed characteristics of which are presented in Figure 1 as a part of the application of the program-target method in budget management.

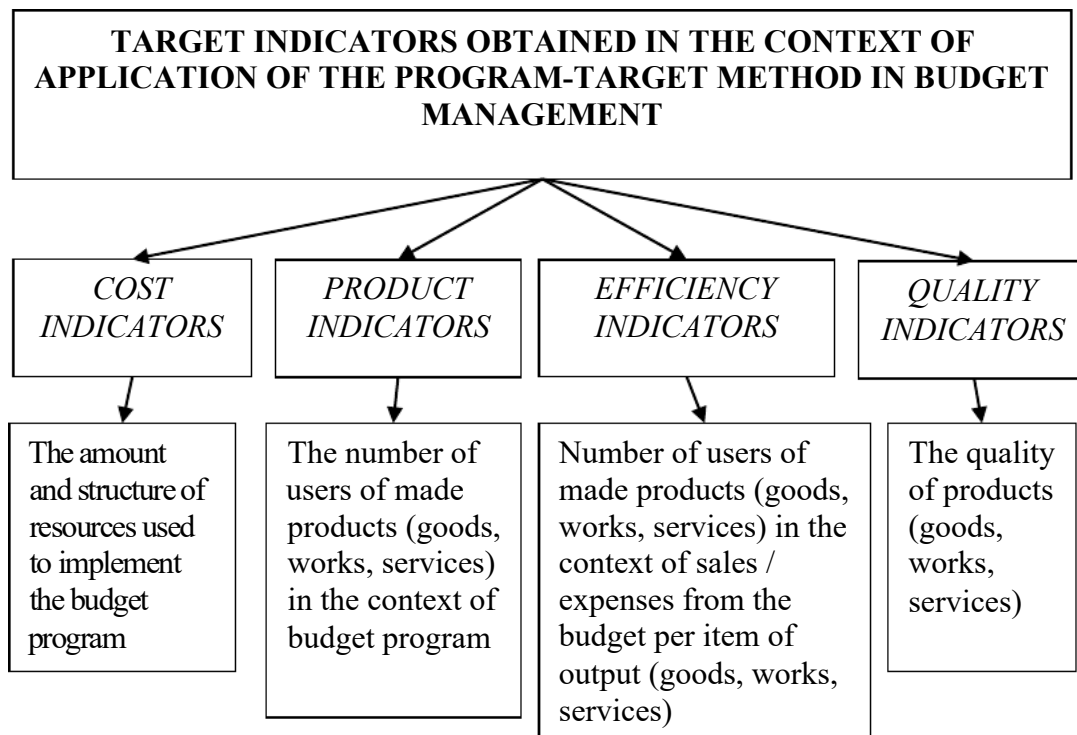


Figure 1. Characteristics of performance indicators that are achieved in the process of applying the program-target method in budget management [10]

In addition to [10], regulation of the process of application of the program-target method in budget management is also carried out by the Budget Code of Ukraine [11].

So, according to Article 20 "Application of the program-target method in the budget process" of the Budget Code of Ukraine, the application of the program-target method in budget management in Ukraine takes place both at the level of national and local budgets. The fundamental elements of the program-target method in budget management are [11]:

9. budget programs;
10. executors of budget programs;
11. passports of budget programs;
12. performance indicators from the implementation of budget programs.

Now let's talk about the practice of applying the program-target method abroad. For example, according to [12], the budget cycle takes place in 12 stages each year (Figure 2). In addition, the beginning of the financial year in Sweden, as in almost every country in the world, begins on the first of January and ends on the thirty-first of December.

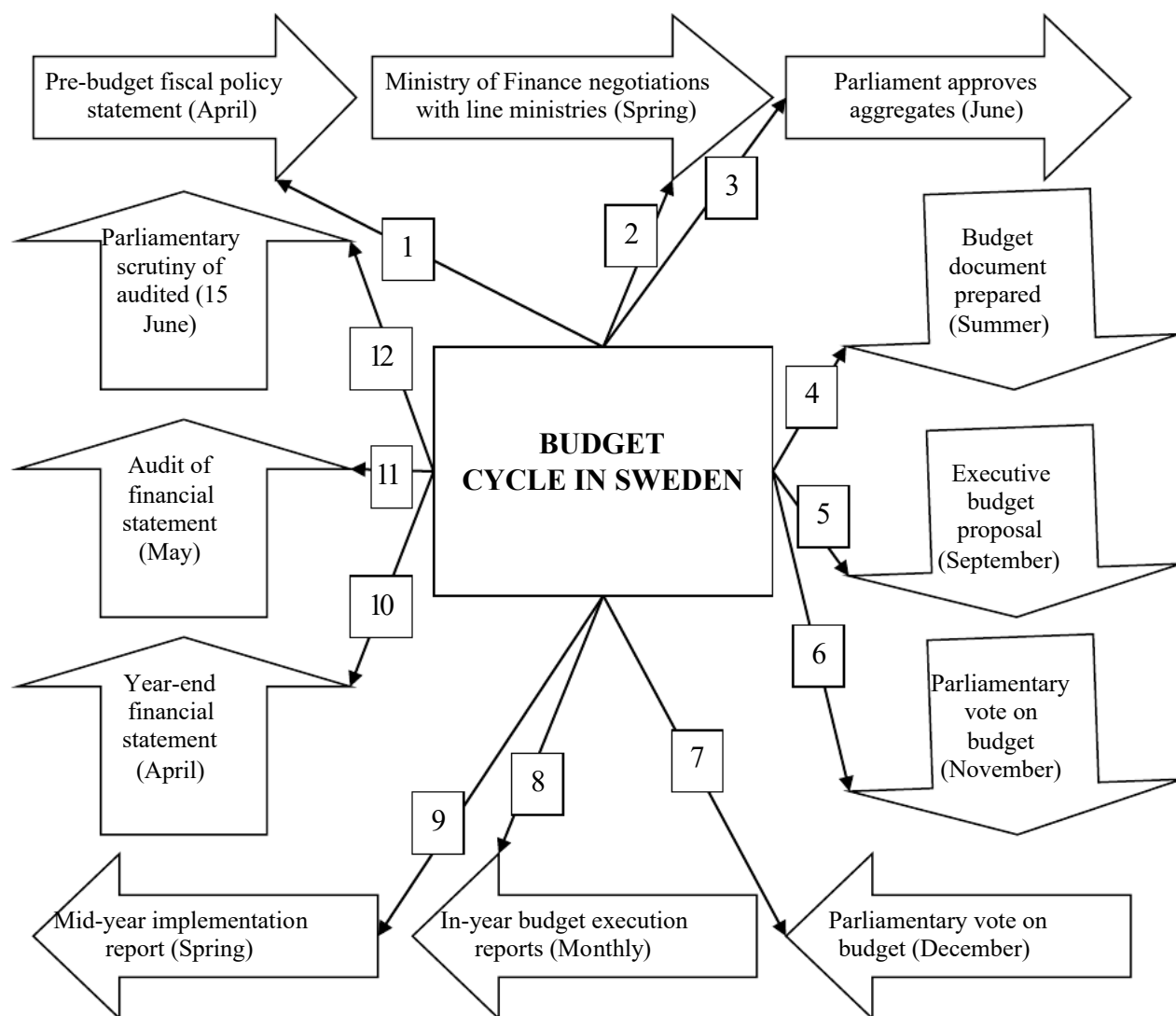


Figure 2 Characteristics of the budget cycle stages in Sweden [12]

The results of the Organization for Economic Cooperation and Development concerning the study of the budgeting peculiarities and the level of their effectiveness in the EU allow us to identify six key areas of budget expenses, including expenses on the support: Competitiveness for growth and jobs (including the Connecting Europe Facility); Economic, social and territorial cohesion, Sustainable growth: natural resources, Security and citizenship, Global Europe, Administration.

So, being based on The Multi-annual Financial Framework (MFF) 2014-20 provides, it was calculated that the largest share in the structure of budget expenses is occupied by expenses for ensuring sustainable growth: natural resources (38.64%) and expenses for ensuring economic, social and territorial cohesion (34.17%) (Figure 3) Instead, the smallest share is spent on security and citizenship (1.63%).

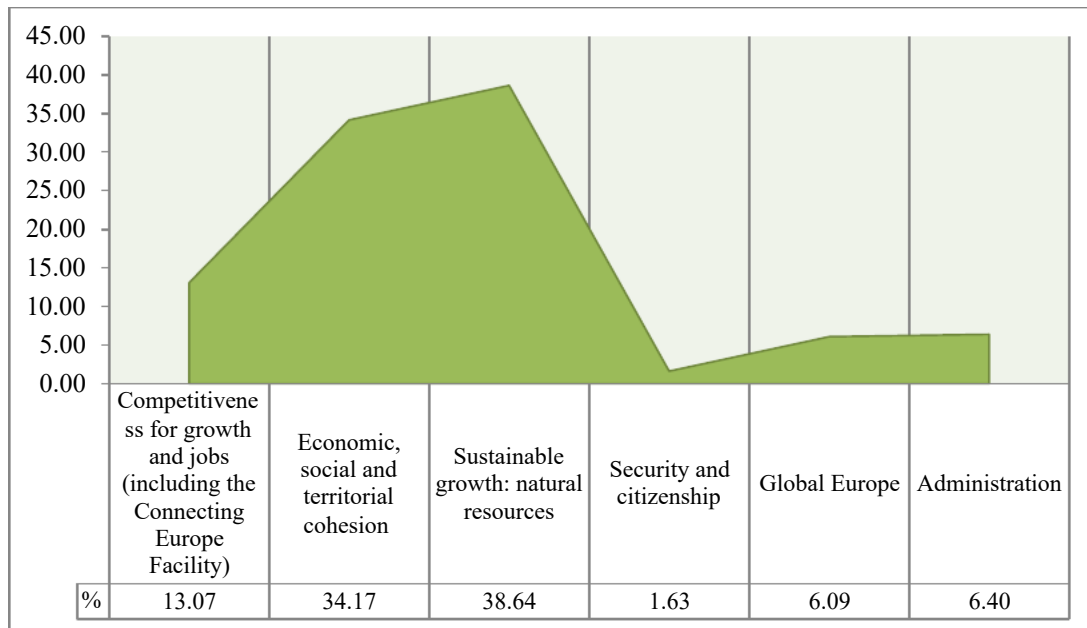


Figure 3 Characteristics of the expenses and their components of a part of EU budget (based on The Multi-annual Financial Framework (MFF) 2014-20 provides) [12]

It is appropriate to note the position of G. Markovich – the coordinator of local budgets in the Project Office of Sectoral Decentralization, who states that the application of program-targeted method in budget management will: "ensure budget planning for the medium term. It will provide an opportunity to make the shift from the maintenance of budgetary institutions to the provision of high quality services for the population. It will ensure optimal usage of budget funds, achieve significant economic and social effects, increase public awareness of the efficiency of spending the budget of the local community and the level of satisfaction of consumers who use public and guaranteed social services" [13].

5. DISCUSSION

According to the results of the disclosure of theoretical and practical principles of application of the program-target method in budget management, it is established that:

- the program-target method in budget management is one of the most effective methods of budgeting;
- the practice of applying the program-target method in budget management is widespread in many countries, including Ukraine;
- the program-target method in budget management is aimed at obtaining the expected results due to the rational distribution of budget expenses.

In the context of processing the information in [10] it is determined that the key goal of implementing the program-target method in budget management practice in Ukraine is to determine the direct correlation between the budget and the results which are obtained as a result of the usage of such funds.

The study has shown that such target indicators as cost indicators, product indicators, efficiency indicators and quality indicators are achieved in the process of applying the program-target method in budget management.

The analysis of the articles of the [11] has revealed that the components of the program-target method in budget management are budget programs, executors of budget programs,

passports of budget programs and performance indicators from the implementation of budget programs.

6. CONCLUSION

So, a number of advantages of using this method the results were revealed during the analysis and study of theoretical features of the program-target method in budget management, particularly: ensuring a high level of control over the results in the context of using budget funds and a high level of responsibility for spending such funds; availability of information concerning budget expenses for society; transparency of the process of spending funds from the budget, identification of identical budget programs, which duplicate the expected results with the possibility of exclusion some of them from the process of implementation, etc.

The study of the implementing practice of the program-targeted method has shown that this method in the budget management is used by such leading countries as Australia, Great Britain, Canada, the Netherlands, New Zealand, USA, Sweden and Ukraine.

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