



RESULT-ORIENTED BUDGETING: BEST PRACTICES AND ISSUES OF IMPLEMENTATION IN UZBEKISTAN

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Abstract

Results-oriented budgeting is practiced in many countries around the world. The development of this methodology since 1950 has led to its subsequent introduction in many countries. These reforms have taken on a different character in countries that have introduced results-oriented budgeting. This article examines the best practices of results-oriented budgeting, in particular the experience of Western countries. The scientific conclusions of foreign and Uzbek scientists on results-oriented budgeting have been studied and systematized. An independent author's approach to them has been formed and ways to introduce them in Uzbekistan have been suggested.

Keywords: budget policy, results-oriented budgeting, budget expenditures, budget efficiency

INTRODUCTION

Introduction

In best practices, the result-oriented nature of fiscal policy implementation is determined by the following factors:

- independence in financial decision-making;
- adoption of budget policy for the medium and long term;
- development of criteria for achieving results, rather than spending the budget organization;
- Coherence of financial control with the completion (achievement of results) of budgeting objectives, rather than the end of the fiscal year.

In this regard, prof. Sh. Toshmatov said that “in the full implementation of the principles of a market economy in the country, it is necessary to accelerate the process of implementing medium-term planning of the state budget and increase budget transparency and efficiency through the use of program-targeted planning. In this case, in order to further increase the efficiency of the use of budget funds by budget organizations and budget recipients, it is advisable to first give them the freedom, authority to use budget funds, and then hold them accountable [1].

Results-oriented budgeting is practiced in many countries around the world. The development of this methodology since 1950 has led to its subsequent introduction in many countries. These reforms have taken on a different character in countries that have introduced results-oriented budgeting. In particular, O. Teterina divides the states into three groups in terms of the introduction of this method [2]:

- In-depth public sector reform (Australia, UK, New Zealand);
- was carried out within the framework of separate programs on partial modernization of public finance management. Introduced without affecting fundamental change in governance (Denmark, Ireland, Canada, USA, Netherlands, Finland, France and Sweden);
- Implemented in a limited range of initiatives to improve the public financial management system (Germany, Norway and Switzerland).

The development trends of the approach to budget policy require its fundamental improvement.

ANALYSIS: FOREIGN PRACTICE

The current state of implementation of results-oriented budgeting indicates the need for direct reform of public finances. In particular, the difficulties in fiscal policy have led countries such as the United States, the United Kingdom, and New Zealand to implement reforms as advanced foreign practices.

In general, the reason for the introduction of results-oriented budgeting can be explained by the emergence of financial crises, rising tax rates, declining quality of public services, rising budget expenditures (deficit) and increasing public debt service.

Dividing the implementation of results-oriented budgeting into the above three stages, the advantages and disadvantages of its implementation models (vertical and horizontal) can be seen below (see Table 1).

Table 1 Disadvantages and advantages of results-oriented budgeting models

Model name	Disadvantages	Advantages
Vertical reforms	Limited access to results	Reforms will take place through centralized initiatives
	The introduction of restrictions in a centralized manner leads to inefficiency	Generalization of the methodological approach in the reforms
	The complexity and cost of gathering information	Availability of information for decision making at the center
	Lack of support from higher authorities leads to a decline in initiative	Significant opportunity for reform monitoring and coordination process
Horizontal reforms	Having different conditions for subordinate bodies in central decision-making	Flexibility of reforms
	Reform preparation requires a long time and a high labor capacity	Opportunity to plan reforms at the expense of higher authorities
	The inconsistency of the results of the reforms does not ensure the logic of the reforms	Involve various actors in the development and implementation of reforms
	The slow pace of reforms due to the lack of initiative in the lower levels of government	Freedom is encouraged in the implementation of reforms

The United Kingdom is one of the countries that has undergone extensive reforms in the introduction of results-oriented budgeting. The level of centralization of public finances in this country is significant, with 2/3 of tax revenues going to the central budget. Indicators of budget (mostly health) expenditures in the country, performance indicators of government agencies and services are carried out on the basis of approved regulations and standards. A set of goals for five years is formed based on the country's strategy of each budget organization or higher budget body. Therefore, the budget is implemented with a three-year forecast.

In the UK, a system of indicators will be developed in a phased manner to ensure the effectiveness of budget expenditures. In particular, input (output) and output (outcomes) are produced in the form of results. For example, we will try to explain in the example of the health care system. Inputs are based on indicators such as labor force (medical staff), assets (medical equipment) and information technology, output - medical services delivered or operations performed, and results - life expectancy, health status (see Figure 1) [3].

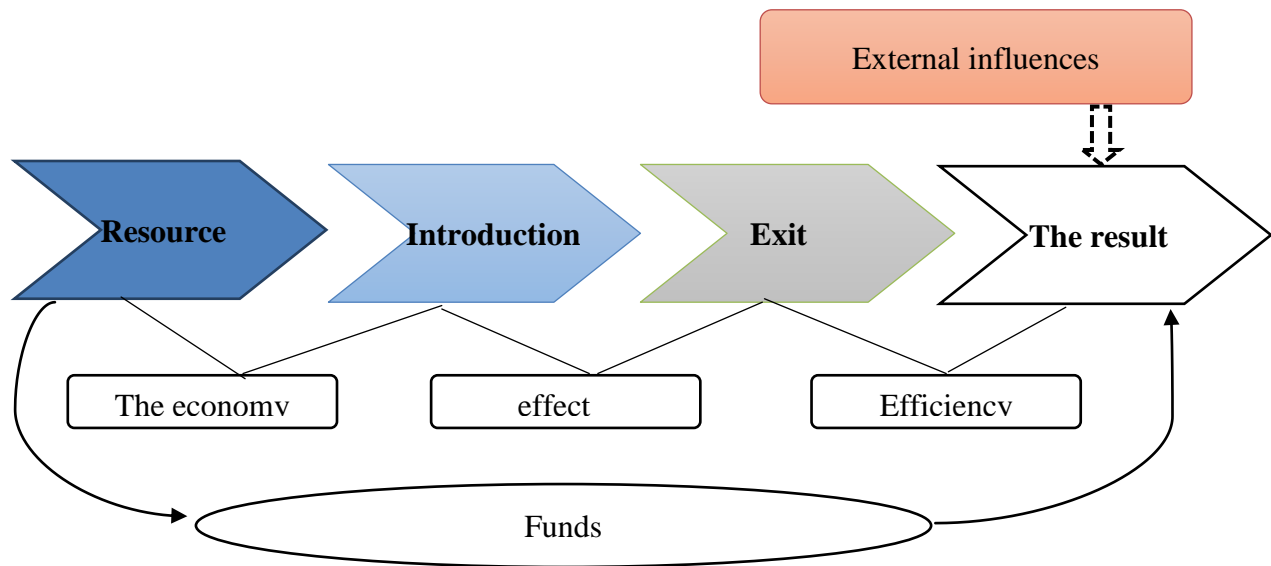


Figure 1. A system of results-oriented budgeting indicators in the UK

In general, results-oriented budgeting reforms in the UK have been underway since 1998. In 2004, reports assessing the implementation of budget expenditures identified principles that should be considered in the future. According to him, as a rule, the results change by 10 percent in favor of the previous ones. The principles of goal setting, which should reflect the results of Z. Numon's research, are also mentioned. In particular, SMART serves to express the main features of results-oriented budgeting, and we propose to interpret it as follows in its application in our country:

- Specific - specialization - determining the direction of budget expenditures. It is characterized by the availability of specific funds to achieve a specific goal;
- Measurable - the ability to quantitatively and qualitatively assess the results to be achieved within the budget. Availability of a system of indicators;
- Achievable - legitimacy - a reflection of the stated goal by setting it on an achievable scale and determining the closeness of the results to life;
- Relevant - harmony - the intermediate results allow to form the next goals and develop a sequence of goals and results in mutual agreement;
- Timed - setting the time to achieve results. The interdependence of costs and results in terms of implementation.

In the UK, results management has its own characteristics. In this regard, A. Chulkov cites the following aspects[4]:

- There are 130 performance indicators for municipalities within the budget expenditures. The general indicators allow to compare the efficiency of public services and public finances provided at the expense of different levels of entities.
- developed single minimum indicators of quality of public services;
- Establishment of a system for evaluating the effectiveness of budget expenditures of public authorities through the method of internal and external audit;
- Introduction of a single method of reporting and procedures based on the results of quality assessment of services provided.

In summary, the UK has established guidelines for the implementation of results-oriented budgeting, developed a system of indicators and created a nationwide evaluation system in relation to the methodology.

We will continue to explore best practices as we continue our research. In doing so, we will try to study the experience of the Canadian state.

S. Miroshnikov and E. Charkina study the world experience in the implementation of results-oriented budgeting. In particular, they studied the Canadian experience. The reforms, which began in 1977, were improved by 2009. During the reform period, Canada introduced a goal-oriented cost management system. In this system, the following was envisaged[5]:

- a mandatory cost order was introduced;
- ensuring the priority of efficiency of government programs and the allocation of budget expenditures in them;
- ensuring the effectiveness of achieving the targets set in government programs.

Achieving the set goals is governed by results-oriented budgeting based on the following principles of cost management:

- Recommendations to the government in planning budget expenditures by parliament and the people;
- periodic changes in the amount of state programs for their implementation and funding;
- Income and expenditure planning practices enable the identification and mitigation of risks associated with government programs;
- medium and long-term planning allows to analyze government programs and prioritize costs;
- integrated budget planning of government programs (from old to new);
- allowing free activity (implies freedom in the distribution of budget expenditures).

In Canada, starting in the spring, government agencies and ministries will report to parliament on the goals, objectives and expected results of each project on future priorities and budget planning. At the same time, the Ministry of Finance will continue to submit its analytical reports in terms of achieving the goals set in previous years.

In Canada, once a budget is introduced in parliament, it is not allowed to be amended because the legislature conducts informal discussions until a formal decision is made. Also, the failure of the budget by the House of Commons will lead to the reorganization of the government.

Since 1994, a new approach to the process of budgeting and implementation has been introduced. This system was called the Expenditure Management System and was implemented in two parts. First, it included the development of strict budget restrictions, and second, reforms aimed at enforcing the new budget restrictions. The purpose of this is to impose strict restrictions on the expenditure of budget expenditures and to ensure that this is done in accordance with economic legislation.

According to him, in the 1996-1997 fiscal year, public debt will be reduced by 3% of GDP. At the same time, a system for monitoring government programs has been created. According to the Organization for Economic Co-operation and Development (OECD), there are six criteria for selecting programs, which are reflected in the following questions[6]:

- Does the program serve the public interest?
- Is this process appropriate for the government?
- Is it possible to implement the program better within other authorities?
- Is it possible to transfer the program to the private or volunteer sector?
- Is it possible to implement the program more efficiently?
- Is it possible to implement the program?

In the Canadian experience, budgeting processes are also implemented through the implementation of programs. The determination of mandatory shares in the implementation of expenditures also shows the financial feasibility of achieving results. In general, we believe that a number of reforms are possible to use the Canadian experience in the practice of our country. In particular:

- setting the minimum and maximum mandatory amount of budget expenditures for the implementation of long-term and short-term programs;
- development of opportunities for popularization of programs with positive results in the regions;
- Introduce the practice of shortening or merging similar programs within a region;

- Ensuring coherence in the implementation of programs, ie the completed program serves as a starting point for another;
- It is expedient to develop a single system of evaluation methodology and its legal framework for the selection of programs in the budgeting of the country.

N. Shmigol studies the reforms aimed at improving the budget process in the best foreign practices. In his article, he focuses on the French experience. In France, reforms began in the early days of the 21st century, which meant increasing the influence of parliament on the budget process, focusing on achieving results in the budgeting process, and increasing accountability for the use of budget funds. In particular, the practice of budgeting, focused on specific goals and results, has been rapidly introduced [7].

In France, program funding has become a national status of public finance management. Hundreds of programmatic forms of budget planning have been implemented through this methodology. The role of the parliament in the implementation of this method has become special and strengthened. The reason is that the parliament has gained significant powers in defining and implementing programs. In general, while the parliament has the power to set programs within budget expenditures, the executive is allowed to redistribute inter-program funds within one fiscal year without changing the amount of budget allocations set. Local governments also have the power to change inter-programmatic funding within an area without changing programs or deviating from goals.

Table 2 Methodology for developing performance indicators of state budget programs in France

The condition of the people	Target category	Target example	An example of an efficiency indicator
Citizens	Socio-economic efficiency	In medicine: reduction of medical examination time Employment: an increase in the employment rate of young people with higher education	The average time of diagnosis Percentage of total graduates employed after six months
Standard	Quality of service provided	Police: Reduction of police intervention time Judicial system: shortening the period for making court decisions Ways: Increased operating costs	It is an average time for police to be notified and arrive at the scene The average period of the court decision, the average duration Average operating costs per kilometer
Taxpayer	Economic efficiency	Reduction of tax administration costs	Costs per taxpayer

In France, government programs or results-oriented budgeting indicators are structured as follows: socio-economic efficiency; quality of service; efficiency (quality and efficiency are evaluated from the point of view of citizens, taxpayers). It should be noted that 18% of the state budget expenditure performance indicators determine the quality of services, 30% - economic efficiency and the remaining half - socio-economic efficiency (see Table 2).

In our opinion, the results of the services of budget organizations in France are becoming important both in terms of quality and quantity. Attention is paid to the reduction of time as an outcome indicator. For example, the time it takes for police to arrive at the scene is expected to be optimally short. However, this situation does not directly affect the reduction or prevention of delinquency. Therefore, we believe that this indicator is quantitatively important, but can be further improved in terms of quality.

In this case, the factor that directly affects the prevention of crime in the country is determined by the high quality of education. Of course, budget funding for education will not allow for a decline in this indicator in the short term, but we believe that it must be possible in the long run. This can be seen as a quality indicator of budgeting. However, the coverage of all in the country with quality education and the employment of graduates or their admission to a higher education institution reflects both the final and intermediate results.

In his conclusions, A. Sherov notes that the interim and final results are the elements that determine the priority of results-oriented budgeting, and argues that it is expedient to "introduce the definition of final goals, along with intermediate goals in the use of budget funds" [8].

CONCLUSION

In our opinion, it is expedient to define results-oriented budgeting by staging and grouping in the development of a system of indicators, using best practices. Stratification should be understood as the determination of the significance of the budgeting outcome directly for the sector and the country. For example, as noted above, it is important to systematize into current, intermediate, and final results. The current outcome category can be used to assess existing opportunities based on the UK experience. In this case, the existing capabilities of the budget organization should be the stage of the system of initial indicators that determine the budget.

It should also be envisaged that the grouping will be formed at the national level and at the taxpayer level. At the same time, it is important to systematize the results of medical services in terms of grouping at the national level, the role in the field and the importance for the citizen (taxpayer).

Based on the above research, we believe that it is expedient to formulate results-oriented budgeting practices in our country as follows:

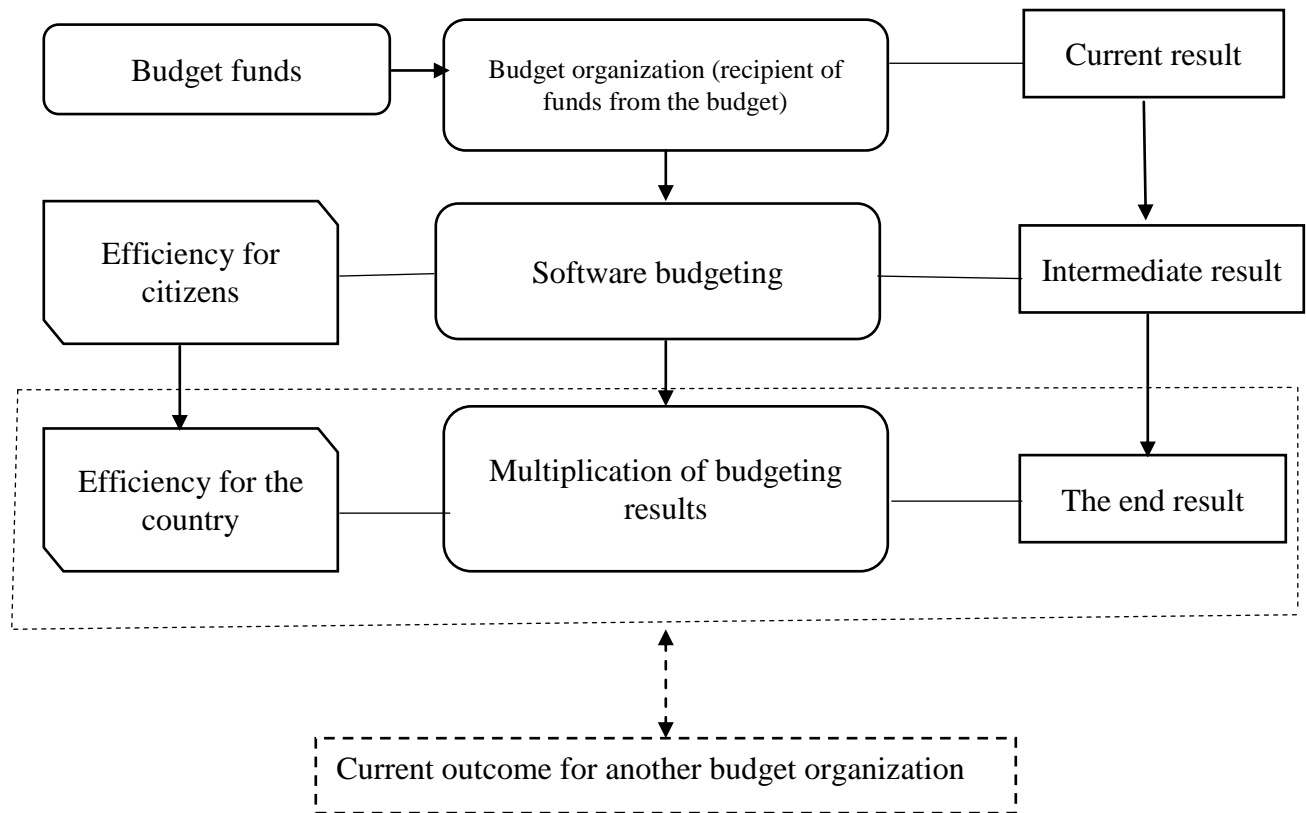


Figure 2. Recommended infrastructure for the introduction of results-oriented budgeting in Uzbekistan

Source: Developed by the author based on research

The evaluation of the results according to the proposed infrastructure and their systematization are reflected. We believe that this mechanism represents a nationwide form for results-oriented budgeting in our country.

In turn, when using this mechanism, it should be noted that the final result of a particular industry at the national level will form the initial (current) results for another industry. For example, an increase in life expectancy as a result of services in the health care system means a change in the situation for the pension system. At the same time, the pension fund is required to plan its financial plans based on the prospect of life expectancy.

Therefore, it is necessary to implement the elements of this infrastructure by sector and to form a system of specialized indicators for them.

In general, analyzing several models of the organization of the budget process, the following aspects can be noted:

- change of public administration to public financial management;
- strengthening the role and influence of parliament on budgeting;
- introduction of financial independence, responsibility and accountability of public entities to society;
- motivation, not rules in budgeting;
- Increased transparency of the budgeting process;
- Achieving cost-effectiveness through the implementation of fundamental rights;
- Focus on institutional change and implement it step by step.

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