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**MANAGEMENT EFFICIENCY OF PUBLIC FINANCES AS BASIS
BUDGET SYSTEM DEVELOPMENT OF RUSSIA**

L.L. Pavlova (a)*, E.A. Kolesnik (a), P.Y. Petrov (b)

*Corresponding author

(a) Tyumen Industrial University, Volodarskogo St., 38, Tyumen, 625000, Russia,

e-mail: pavlova68@yandex.ru, +7 932 327 03 24, eakolesnik-10@mail.ru, +7 909 182 03 55

(b) Federal State Government-Funded Educational Institution of Higher Professional Education «Moscow State University of Railway Engineering After Emperor Nicholas II», Yaroslavl branch of Moscow State University of Railway Engineering, 13 Suzdal Highway, Yaroslavl, 150030, Russia, e-mail: py__petrov@mail.ru, +7 915 998 68

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Abstract

During the research, the authors found that the interaction of the Russian Federation with foreign partners in the field of state financial (municipal) management expressed by the membership of the Accounts Chamber of the Russian Federation in International, European and Asian Organizations of Supreme Audit Institutions (INTOSAI, EUROSAI and AZOSAI) is aimed at harmonization with international principles of control over public finances and improvement of the regulatory and legal framework in the sphere of public finances in the Russian Federation. However, Russian regional municipalities are subjected to a problem of ineffective management of public finances. Thus, the municipality of Tyumen (Russia) city district suffers significant shortcomings related to the lack of interrelation between the documents of strategic and budgetary planning (strategies of social and economic development, municipal programs and municipal tasks) and strategic planning documents of the subject of the Russian Federation and the municipality (state and municipal programs). These shortcomings are also connected with insufficient representation of measures of legal and political regulation for various spheres in municipal programs (tax exemptions, preferences and other regulatory tools that do not involve the allocation of public funds from the budget); with system imperfection in monitoring and evaluating the effectiveness of municipal programs, expressed in a formal control by responsible authorities; with the impossibility of applying a single formalized approach to define basic standard costs for providing municipal services.

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1. Introduction

Increasing the effectiveness of public financial management is one of the priority tasks at all levels of the public finance system, which is reflected in the messages of the President of the Russian Federation, the main directions of the budget policy, programs to improve the management of public (state and municipal) finances. The tasks of improving the financial management efficiency are set not only for federal, but also for regional and local self-governing authorities. The quality of the state and (or) local government can be determined by a set of various indicators, where a special attention is paid to socio-economic indicators of public relevance. At the same time, a comprehensive assessment of the public finance effectiveness appeared to be methodologically difficult, which significantly complicates the control function in the public administration system. Socio-economic assessment of efficiency is usually applied as a generalized management criterion, which is determined by the adequacy of goal-setting and resource security. For example, it is known that the functioning and development of the budgetary system of the Russian Federation is based on the principle of the effective use of budgetary funds. This means that during drawing up and executing budgets, participants of the budgetary process within the limits of their budgetary authority should proceed from the need to achieve the specified results using the smallest finance amount (economy) and (or) to achieve the best result using a certain finance amount (effectiveness) determined by the budget (Stepanova, Razumakov, 2013; Pavlova, Pavlov, 2014).

Thus, the analysis and assessment of the effectiveness of public finance organization is among those areas which are under-investigated and need to be thoroughly studied. However, the organization of activities to assess the effectiveness of public finance can be considered as:

- a process or a set of actions leading to the improvement of financial relations, the balance of budgets, improving the quality of life of the population;
- an organized system that includes representatives of government authorities implementing programs and policies operating on the basis of the principles of effective and responsible management of public finances (Cherepanova, Tikhavatulina, Eremina, 2015; Gerashenkova, 2016).

2. Problem Statement

It is necessary to consider the theoretical and practical aspects of the effectiveness for public finance management as an important component of the development of the budgetary system of the Russian Federation.

3. Research Questions

The authors plan to tackle the following:

- 3.1. to research theoretical aspects of increasing the effectiveness of budget expenditures and public financial management
- 3.2. in terms of the research object (Tyumen, Russia), to highlight the most relevant and significant problems in the management of municipal finances and in ensuring the publicity of its management

3.3. to substantiate an integrated approach to assessing the effectiveness of public financial management.

4. Purpose of the Study

The purpose of this study is to identify the specifics and the most relevant problems in the development of the budget system of the Russian Federation and in the management of public finances. On their basis, the authors are to justify measures for improving the effectiveness of public financial management and transparency of the system.

5. Research Methods

In the course of the research, the authors used general methods that allowed them to study the subject at a theoretical and empirical level. Besides they enable revealing the essential laws of the development of the Russian budgetary system, highlighting the features of public finance management and, on this basis, developing directions for improving its interaction. The description method made it possible to collect, analyze and characterize the object and subject of the study. The systematization of the study has been carried out by the abstract-logical method; the most significant signs of it have been identified. And a comprehensive approach to assessing the effectiveness of public financial management has been developed. The method of economic modeling made it possible to develop tools which allow assessing the effectiveness of public financial management.

6. Findings

In the least, the importance and urgency of forming a methodology for the effectiveness of public finance management are considered by representatives of various theoretical schools and management structures. So, today, there is a performance (value for money) audit that continues to be developed.

An audit of the effectiveness may distinguish 2 main directions:

1. audit of effective use of public resources, the object of which is the entire scope of public resources - from property and natural resources to the federal budget and budgets of Russian federal subjects;
2. audit of effective spending of budget funds, the federal budget, the budget of the federal subjects of the Russian Federation, public budgets and the consolidated budget of the Russian Federation (Kolesnik, Oleinik, 2015).

In view of the foregoing, the main objectives of the coming years for improving the effectiveness of budgetary costs are as follows. Firstly, it is necessary to increase the effectiveness of existing tools for program and target management and budgeting. Secondly, one should to create conditions for improving the quality of public services. Thirdly, there is a need in improvement of the effectiveness of public procurement procedures. Fourthly, there should be an improvement of procedures for preliminary and subsequent control, including clarification of order and content of enforcement measures for violations in the financial and budgetary sphere. Fifthly, one must ensure a broad involvement of citizens in the

procedures for discussing and adopting specific budget solutions, and public management of its effectiveness (The report on the main directions of increase of efficiency..., 2015).

Further, the authors are going to examine the experience of Tyumen city in practical usage of such tools to increase the effectiveness and transparency of public financial management, such as municipal programs, financial spending allowance, publicity of the public financial management process. This city was chosen as an object of research on the assumption that it is the capital of one of the most economically stable regions (Tyumen region) of Russia. Here in the Russian Federation, Tyumen region is leading in terms of gross regional product (in 2015, GRP amounted to 900.7 billion rubles - an increase of 6.6% compared to 2013); the index of industrial production in the region in January-March 2017 was 105.0% for the corresponding period of the previous year (in Russia - 100.1%).

The experience analysis made it possible to identify a number of the most topical problems such as:

1) Lack of interrelation between documents of strategic and budgetary planning (strategy of social and economic development, public programs and tasks).

There is no approved strategy for social and economic development at the city level, which would set the main directions for development in the relevant areas of public programs implementation. In this regard, such programs and, accordingly, program performance indicators are not linked to the strategic objectives of municipality's development.

Furthermore, currently developed and implemented municipal tasks for subordinate institutions are not an instrument for implementing programs. The indicators of the effectiveness of municipal tasks are not linked to the indicators of the effectiveness of municipal programs.

2) Lack of interrelation between the documents of strategic planning of the subject of the Russian Federation and the municipality (state and public programs).

At present, there is no such mechanism allowing the insurance of the interconnection of public and state programs of the subject of the Russian Federation in similar spheres. Inter-budget transfers are received during the budget implementation for co-financing specific expenditure obligations, but not for implementation of a specific municipal program. The allocation of intergovernmental transfers in the course of budget execution leads to the need for constant adjustment of programs and revision of program performance indicators.

3) Analysis of municipal programs in the city of Tyumen revealed insufficient reflection of legal and political regulation measures in the relevant sphere (tax exemptions, preferences and other regulatory tools that do not involve allocation of funds from the budget) aimed at achieving the goals and solving the problems of municipal programs.

4) There is an inadequate system for monitoring and evaluating the effectiveness of municipal programs. This is reflected in formal management of municipal programs implementation by the responsible authority, inadequate elaboration of the methodology for developing performance indicators and evaluating the effectiveness of municipal programs, the lack of automated information systems for monitoring and analyzing the implementation of municipal programs.

Based on the analysis of the application of rationing costs tools for the provision of municipal services, it can be concluded that it is currently impossible to fully apply a single formalized approach to

determine the cost standards for providing municipal services. In the terms of the limited revenue base of local budgets, budgetary allocations for the provision of municipal services by municipal institutions do not correspond to the amounts of necessary expenditures calculated in accordance with the quality standards according to the financial spending allowance. As a result, the calculation of standard costs in fact is made «from the reverse» (from the amount of expenditures approved in the budget for the next fiscal year) with the application of lowering coefficients to the estimated cost of the service. The practical effectiveness of introducing cost rationing in the field of municipal procurement for municipal needs of local governments and municipal institutions is difficult to estimate at this stage because the application of the rationing institution at the level of the city is currently in the development. Thus, adoption of relevant municipal legal acts and the implementation of procurement under such rules will only be in the formation of the draft budget for the next fiscal year and for the planned period.

5) Another problem that needs to be solved in the near future is the lack of the automatic process in standard costs calculation, as well as an integrated information system that allows one to link municipal purchases with the budget process of the city of Tyumen.

Assuming that financial resources are completely spent at the territorial level, the amount of budget resources used (gross budget expenditures) can be a measure of the financial potential of the authorities. This approach makes it possible to use the matrix of the effective use of the financial potential of the territory to assess the balance of financial capacity of municipalities with the efficiency of its use, which compares the standardized values of the integrated index of financial independence and financial potential of the territory. The calculation of integral indicators of financial independence and potential was determined by calculating the average weighted arithmetic value of group indicators (Chistyakova, Gromova, Soloviev, 2016).

The assessment of public financial management effectiveness allows identifying the costs of budgetary funds for the preparation of a regulatory act or making management decisions. But the problem of assessing the influence of management actions on the results of economic activity, as well as highlighting the management effect of the overall effect of public financial management (Boyko, 2013) still remains. Therefore, it is necessary to apply a comprehensive approach for assessing the effectiveness of public finance, based on the calculation:

- of economic effectiveness (the ratio of the indicator of public municipal services and the costs of its provision);
- of effectiveness (the ratio of the final result indicator and the indicator of public municipal services);
- of effective use of budgetary funds (the ratio of the end result indicator and budgetary funds costs for providing state municipal services) (Fadeikina, 2011).

The effectiveness is usually assessed by the most significant effective management parameter of (Filippova, Kashapova, 2016; Belonozhko, Scythian, 2011). However, the goals of management are more achievable when the created or used social environment is more adaptive to these goals. Here it is a question of the degree of awareness of the existing practice of public financial management by the inhabitants of a region or a settlement. Accordingly, it is possible to propose a criterion for the readiness of the social environment in general and individual social groups to realize the management impact on the

social and economic system of a city or region. The data shown in Figure 01 actually display this indicator.

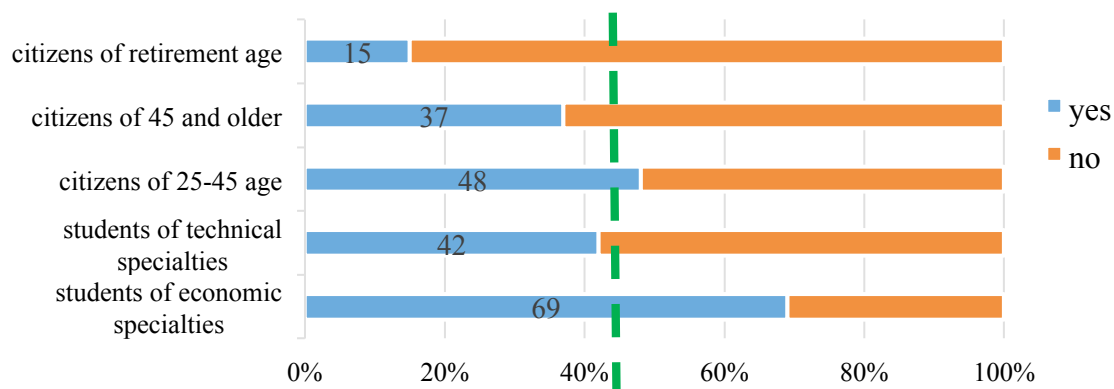


Figure 01. The degree of awareness of citizens about the municipal budget of Tyumen municipal district in the form of a «Budget for Citizens»,% *

*- - - an average level of social adequacy to the objectives and procedures for public financial management

The main measures to improve the existing practice of increasing the effectiveness and transparency of municipal financial management also include the following:

1) Ensuring the interrelation between strategic and budget planning documents in terms of goals, objectives, activities and efficiency indicators.

2) Linking municipal programs with the corresponding state programs of the subject of the Russian Federation, including ensuring the interrelation of the system of goals, objectives, performance indicators, and efficiency indicators in programs of different levels.

In this case, it is necessary to fix the norms at the legislative level, according to which the provision of subsidies from the budget of the subject of the Russian Federation has been performed to support municipal programs. The implementation of these programs is a necessary condition for achieving the results of relevant state programs of the subject of the Russian Federation (Zavyalova, 2017).

3) Accounting all financial resources and other instruments of budgetary and taxation policies affecting the achievement of goals and indicators of effectiveness of municipal programs – «tax and non-tax expenses».

It is necessary to create an appropriate methodological base and to introduce changes in the procedure for the development, implementation and evaluation of the effectiveness of municipal programs.

4) Improving the methodology for developing indicators of the effectiveness of municipal programs and the system for its assessing.

Municipal programs management should be carried out in a quarterly format in order to identify the dynamics of ongoing processes, to identify trends and to increase the responsibility of authorized executors for the implementation of municipal programs.

5) Improving the regulatory and legal support in the sphere of rationing costs for the provision of municipal services and rationing costs for ensuring the functions of municipal authorities, taking into account their law enforcement.

6) Expanding a feedback with the population through the development of the Unified Information Resource for the systematization of information on budgets at all levels.

7) Increasing the effectiveness of financial management, which is impossible without high information technology.

Therefore, it is necessary to consider the possibility of automation and interrelation of budget planning, preparation and execution with the help of information systems using the tools of municipal programs, municipal tasks, procurement plans (procurement schedules), justifications for budget appropriations and financial spending standards.

Examples of effective management of public finances are as follows:

1) The «Automated management system for financial and economic activities» designed for automatic planning and budgeting processes in higher educational institutions subordinate to the Ministry of Education and Science of the Russian Federation (Dmitrievskii, Mastepanov & Bushuev, 2014).

2) The financial management information system «FMIS» – original development of NPO «SAPFIR» (Ekaterinburg). The system is aimed at improving the efficiency of budget process management. It meets the needs of specialists and authority leaders in automating a wide range of financial and economic tasks.

3) «The automated system of public finance management» is built on the principles of the Concept for the creation and development of an integrated information management system for public finances named «Electronic Budget» of the Government of the Russian Federation.

Consideration of the structure of public finance management effectiveness is also possible from a legal point of view (Granin, 2014). When assessing the use of budgetary funds in reporting documents, one can find the phrase: «significant shortcomings, as well as facts of unjustified, unreasonable and ineffective use of budget funds and state property have been revealed».

The concept of misuse of budget funds in Art. 289 of the Budget Code of the Russian Federation and normative acts of the Ministry of Finance of the Russian Federation are characterized as the direction and its use for purposes that do not meet the conditions for obtaining these funds, approved by the budget, quarterly profile, income and expenditure estimates or other legal basis. Approximately the same wording is given in the Code of Administrative Offenses of the Russian Federation and in the Criminal Code of the Russian Federation (Boyko, 2013).

Thus, the state (municipal) supervision authorities consider the efficiency of using budget funds from two positions: the choice of the goal and the achievement of the goal (Figure 02).



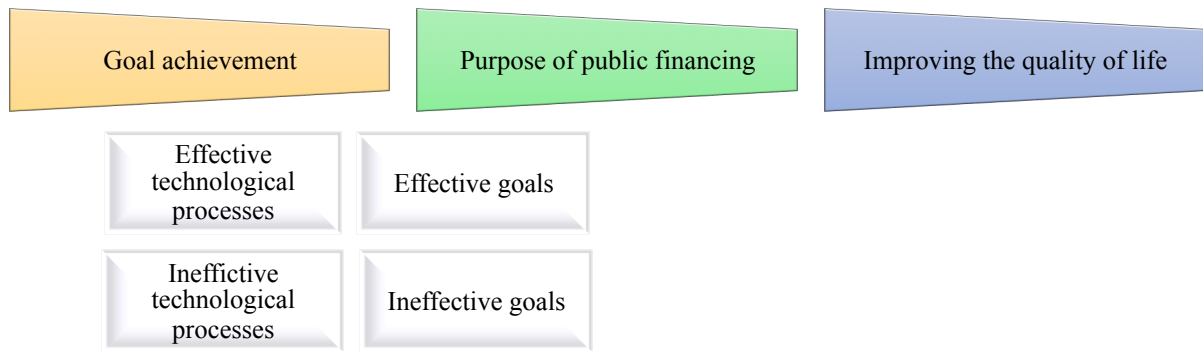


Figure 02. Objects of efficiency assessment of public finance management

The general criterion for choosing the purpose of financing is the degree of life quality improvement for residents of a certain administrative unit. It is obvious that the setting of the objectives of public financing is carried out at the strategic level, and the implementation of its achievement - at the tactical level. For example, if the financing of the project for city polyclinic modernization as for the replacement of medical equipment is 1.3 million rubles, and the porch of the emergency exit is 9.8 million rubles, then this is the setting of ineffective goals and deliberately inefficient use of public finance.

This approach allows the authors to propose a matrix for assessing the effectiveness of public finance management (Figure 03).

Effective goals	Critical use of public finance	Optimal use of public finance
Ineffective goals	Unacceptable use of public finance	Critical use of public finance
	Ineffective technological processes	Effective technological processes

Figure 03. Matrix for assessing the effectiveness of public financial management

To assess the effectiveness of public finance management in the proposed paradigm of the two-vector model «goal-technological process» is possible only through expert assessments on the adopted scale (for example, the ten-point scale):

$$e_a = \frac{1}{n-1} \sum_{i=1}^n pa_i; \quad e_{tp} = \frac{1}{n-1} \sum_{i=1}^n pt_i; \quad (1)$$

where: e_a – weighted average expert evaluation of the choice of the effective public funding objective; e_{tp} – weighted average expert evaluation of the efficiency of the selected technological process; pa_i, pt_i – personal expert assessment of the effectiveness of the choice of the purpose and technology of achieving the goal of public financing by the i -th expert, respectively.

The objectivity of an expert assessment is enhanced by improving the methodology for selecting and applying evaluation criteria, and by increasing the number of experts who master such management methodology.

7. Conclusion

Thus, the solution of these problems at all levels of the budget system will contribute to improving the quality of the work of the state (municipal) authorities participating in budget preparation, execution and reporting, and the public financial management system in general (Petrov, 2017).

The proposed matrix («the goal is the technological process») will allow one to evaluate the effectiveness of such management, relating it to one of the four zones. And in fact, «the effectiveness of the whole system of public authorities depends on the effective management of public finances, property, natural wealth, intellectual capital, information technology and other resources» (Kolesnik, Oleinik, 2015). Also an effective management of public finances is inseparable from the need to develop a «civil society, building a socially-oriented state» (Pavlova, Pavlov, 2014), aimed at the successful and dynamic development of the country and its regions in a specific time interval (Pavlova, Pavlov, 2014).

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