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Вища школа маркетингового управління та іноземних мов, Катовіце, Польща

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БЮДЖЕТУВАННЯ ЗА РЕЗУЛЬТАТАМИ – РАЦІОНАЛЬНІСТЬ, ПРОЗОРІСТЬ, ЕФЕКТИВНІСТЬ – НОВИЙ МЕТОД УПРАВЛІННЯ ДЕРЖАВНИМИ ФІНАНСАМИ

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Одним з найважливіших факторів, який може покращити державне управління, є управління у сфері державних фінансів. Цей новий підхід щодо управління у публічному адмініструванні визначається як концепція Нового державного управління або управління, що ґрунтується на результатах. Ця концепція нового управління фокусується на визначенні цілей, бенефіціарів та вимірюваних результатах. Таке управління, відповідно до нових правил, повинне збільшити ефективність державних послуг та одночасно знизити витрати.

Ключові слова: бюджетування, яке ґрунтується на результатах, бюджетування, фінансовий менеджмент, зв'язки в бюджетуванні за результатами.

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PERFORMANCE BUDGETING – RATIONALITY, TRANSPARENCY, EFFECTIVENESS – A NEW METHOD OF PUBLIC FINANCE MANAGEMENT

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One of the most important factors that may improve state management is modern public finance management. This new approach to management in public administration is defined as a concept of New Public Management or Performance- Based Management. Such concept of new management focuses on defining goals, beneficiaries and measurable outcomes. The management according to new rules should increase effectiveness of public services and at the same time reduce costs.

Key words: result-based budgeting, budgeting, finance management, relations in result-based budgeting.

Problem. The paper presents result-based budgeting (state functions, tasks, sub-tasks and activities, goals and measures) as an alternative to traditional budget outline (paragraphs, chapters and sections).

The research concentrated particularly on performance-based budgeting as a method to manage public resources, according to a task-oriented, consolidated plan of expenditure for one financial year and two following years for public financial entities, dedicated state funds, executing agencies, public institutions and state legal person. Moreover, it has been proved that the decision to implement performance budgeting is a breakthrough in the financial policy of the public sector in every country. It links

government strategic goals with operational goals of tasks to be fulfilled as defined by the national budget plan. On one hand, the funds for goals defined in strategies will be allocated in subsequent years, on another hand, strategic planning system will be more and more precise and coherent in a longer time-span. Planned tasks will have to be consistent with financial capability of the budget, otherwise they will not be approved.

Analysis of recent research and publications. Nowadays, searching for the most effective solutions for financing modern technologies which support effective funds spending is necessity. State budget which is a financial plan of revenues and expenditures, income and spending for one budgeting year facilitates efficient financing all planned enterprises [1, p 318]. Budget reflects the social and economic policy of a government. It also has particular functions. The most important function is managing: planning, monitoring and controlling revenues and expenditures. It has a form of legal act – Budget Control Act which allocates public funds which are at the state's disposal to meet social needs. The most popular is *Management by Objective*. It means planning from the bottom to the top, i.e. from the smallest units (the authorizing officer) to the central level, where the complete state budget is structured [1, p. 318]. According to T. Lubińska Performance Budget is a method to manage by more cost-efficient, effective and transparent budgeting outline by [2, p. 50]:

- structuring a state budget with objectives,
- monitoring and evaluating a single task,
- practical use of information about effectiveness in planning process.

Public Finance Act (Art.2 p.3) defines a *task outline* as a statement of state expenditure or costs of a unit in public funds sector organized according [2, p. 53]:

- state functions, i.e. particular areas of state activity;
- budget tasks;
- budget subtasks grouping activities to accomplish them, description of objectives of tasks and subtasks, base and target measures for achievements of state objectives. Base and target levels of effects achieved from costs incurred are defined by these measures in terms of value, quantity or in a descriptive form.

Public Finance Act defines Performance – Based Budget as a tool to manage public resources, according to a task-oriented, consolidated plan of expenditure for one financial year and two following years for public financial entities, dedicated state funds, executing agencies, public institutions and state legal person. It defines state functions with assigned tasks, sub-tasks and measures of the outcome respectively.

The formulation of objectives of the article. The authors aim also to popularize performance budgeting which should be introduced to manage public funds and control (evaluate) how well they are spent. Therefore, the paper also presents measures and method to control performance of a task. Moreover, following the rule of assigning responsibility to a defined person guarantees efficient and effective performance. Thus, this approach should result in effective spending of public funds and task performance.

The main material. The research proves that technological advances, market competitiveness, demands of new reality as well as social expectations public administration should comply with, result in the management system based on the following principles [3, p. 38]:

- Public administration should first focus on the outcome, and on processes and activities;
- Public administration should make better use of market competitiveness mechanisms to provide particular goods and services;
- Administrative bodies, mainly government agencies, should focus on consumers, i.e. perceive them as clients in order to recognize and meet their needs;
- Public administration should pay more attention to the way they use the resources, especially to reduce costs of public services and increase quality at the same time; in other words “doing more with less”;
- Culture: organization should be flexible, innovative, focused on problem solving and enterprising;

Performance budgeting aims at introducing public expenditure management by clearly formulated and hierarchical goals. The outcome can be then measured with a developed system of measuring tools [4, p. 26]. Performance budgeting defines precisely the tasks which are financed through budget sources. Adoption of proper measures helps to evaluate the accomplished results and to compare

them with the costs incurred [5, p. 174]. Performance budgeting should be based upon three pillars: **tasks, goals and measures**. The concept of performance budgeting assumes that:

- budget is a plan for financing the defined public tasks;
- every task in the budget has funds and indicators of task accomplishment assigned;
- Among its activities, an executive body should check if the expenditure limits are not exceeded and the defined tasks completed (failure to achieve goals and use of all the resources equals to exceeding the expenditure limits).

Performance budgeting emphasizes managing public spending according to for rules of efficient management [4, p. 32]:

- **transparency**: implementation of new products classification;
- **efficiency** and effectiveness: defining aims and measures, comparing effects and costs;
- **multi-annuality**: three-year projection of expenditure for defined tasks;
- **consolidation**: comprising a whole public spending sector [6, p. 164].

Performance budget manages public funds by objectives. The objectives are strictly defined and accomplished hierarchically. At every stage of task performance the objective (effectiveness) is evaluated with measures. Thus, performance budgets measure objectives and defines which tasks are the most important for a given objective and how they were performed [7, p. 114].

Relationships in performance budgeting (state functions, tasks, sub-tasks and activities)

The following elements constitute performance budgeting: state functions, tasks, sub-tasks and activities, goals and measures (Fig. 1.)

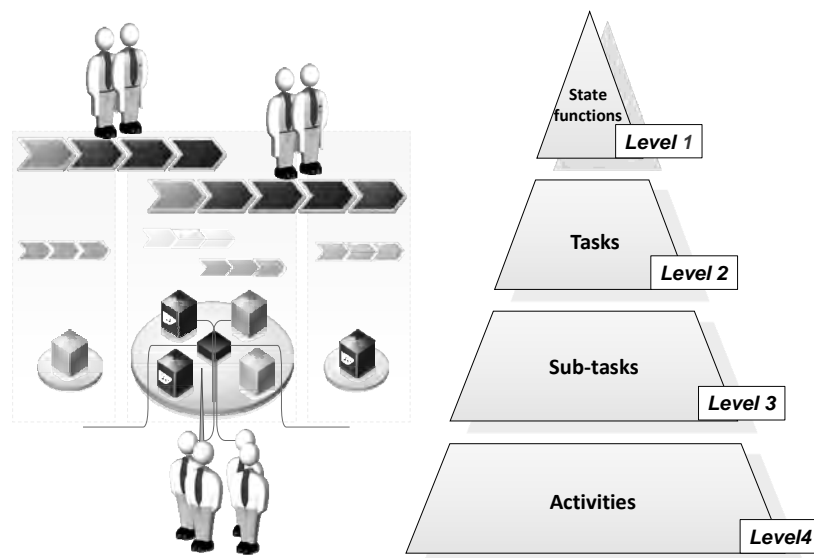


Fig. 1. Areas (range) of performance budget

Source: [2, p. 50]

State functions – basic units in task classification which group expenses into one area of state activity. There are 22 state functions comprising the whole range of activities assigned to authorizing officers, responsible for the state policy.

Tasks – are the second level of classification. There are resources allocated to accomplish goals defined within the state functions.

Sub-tasks – are the third level of classification where resources are allocated to goals of particular tasks.

Activities – form the lowest level of classification and concern all most important elements of the process of goal accomplishment for sub-tasks and specific goals for tasks. Considering the activities, the following elements need to be defined: expenditure level in a given financial year, sources of funds and contractors to take up particular activities.

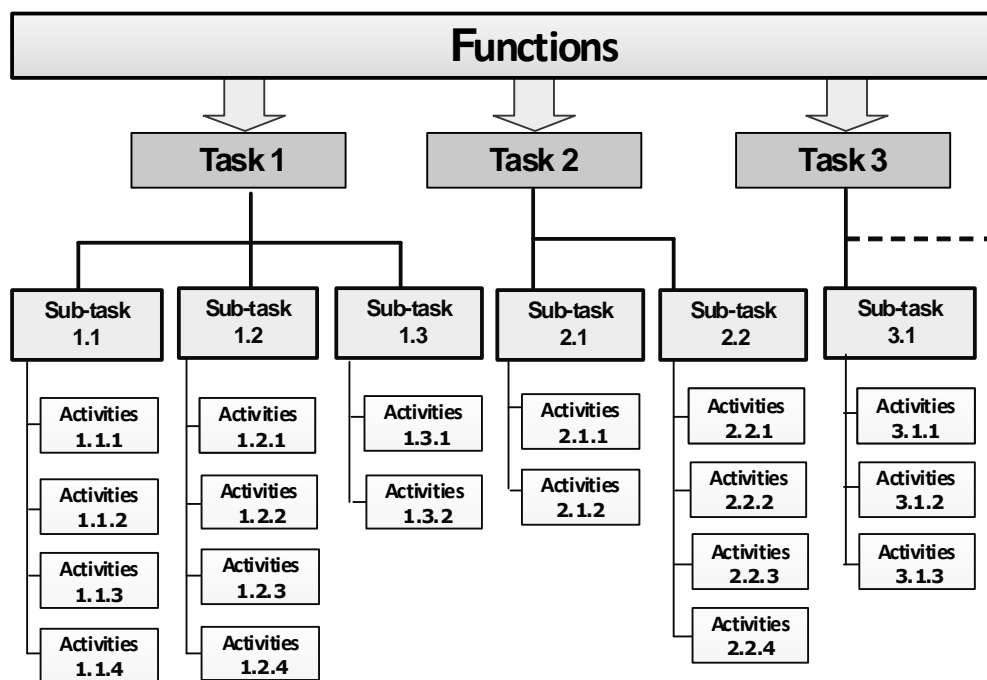


Fig. 2. Relationships in performance budgeting of state functions, tasks, sub-tasks and activities

Source: [2, p. 53]

Objectives – are defined for tasks and sub-tasks. They are not defined on the level of state functions and activities. Every task should not have more than two objectives. The objective should be described clearly with its indicator and the target value. Such approach helps to select a measure showing if the objective has been accomplished. They should be: **concrete, measurable, real, defined by time and effect-oriented**.

The objectives are organized hierarchically and according to the degree of generality:

Main objectives, they lead to the change of the status quo, exceed immediate effects for direct beneficiaries of activities,

Specific objectives aim at achieving results, i.e. real outcomes connected with direct and immediate effect of tasks, determine meeting beneficiaries' needs,

Operational objectives aim at producing specific products, useful to achieve results expected by beneficiaries.

The objectives should be discussed among authorizing officers performing specific task.

Measures – measures of outcomes that determine how successfully the objectives were met. Every measure has its baseline, referring to the last available value of the measure, and the target value to be reached upon accomplishment of the tasks and the sub-tasks. Measures should be: **relevant, reliable, easy to understand, countable and possible to monitor**.

A task financed by the public funds, completed by organizational units, institutions and legal or natural persons, is called a **budget task** (financed by the budget). All ventures involving task fulfillment are the axis around which all activities connected with this task revolve. The objective of the task should be defined by quality, quantity – the objective should be measurable. The main features of the budget task are [2, p. 53–54]:

- clearly defined objective;
- reference to status quo and needs;
- detailed scope of a task;
- personnel assigned and responsible for performing a task;

- estimated real costs of a task;
- specified and planned in time activities to complete a task;
- measures of effectiveness and efficiency of a task performance;
- considered financial flows (conditions).

Performance budget involves performance of **variety of tasks**:

- new tasks;
- continued tasks;
- direct tasks which determine meeting direct needs;
- indirect (supportive) ones which determine performance of direct tasks (e.g.: maintenance of the

office of the institution, lawyers, experts, etc.)

22 state functions constitute the first level of performance classification and group public expenditure. They are accomplished by particular authorizing officers in charge of the parts of the national budget. The functions are as follows [2, p. 53–54]:

- Managing the state;
- Internal security and public order;
- Education, welfare and care;
- Managing state finance;
- Protecting rights and interests of the National Treasury;
- Coordinating policies of the national economy;
- Spatial planning and support of the construction industry and housing;
- Physical education and sport;
- Culture and protection of national heritage;
- Polish science;
- External security and territorial integrity;
- Environmental protection;
- Social care and family support;
- Labor market;
- Foreign affairs;
- Civil affairs;
- Protecting balanced development of the country;
- Executing justice;
- Building, developing and maintaining the infrastructure;
- Healthcare;
- Agriculture and fishing policy;
- Strategic planning, administration and technical services.

The second level of performance classification comprises **tasks**, which group the expenditure according to objectives. Such tasks are completed by one or several institutions and financed by the budget or other public sources. The aim is to achieve a given quality or quantity. The task comprises sub-tasks and activities within a given area. **For each task the following elements are defined:**

- Objectives to achieve, i.e. the outcome of activities (max. 2);
- Measures, indicating how well the goals were accomplished;
- Planned expenditures for one fiscal year and two following years;
- The sources to cover expenses;
- Sub-tasks within a given task;
- Entities responsible for those tasks;
- If many entities are involved in accomplishing specific activities, one of them shoulders responsibility for the whole task.

The third level of classification is the operational one and comprises **the sub-tasks**. Every sub-task has the funds allocated, relevant to the goals of the task. Elements defined for each sub-task are:

- Objectives to achieve, i.e. the outcome of activities (1 goal);
- Measures, indicating how well the goals were reached (1 measure);
- Planned expenditures for one fiscal year and two following years;
- The sources to cover expenses;
- Entities responsible for these tasks.

The **activities** constitute the lowest level of classification and comprise all the most important elements to accomplish goals of the sub-tasks and tasks. They should be as synthetic as possible. Each activity has:

- Planned expenditure;
- Sources and procedures to cover expenditures;
- Entities responsible for this activity.

Implementation of performance budgeting commenced with the procedures of defining tasks and planning expenditures respectively, objectives and measures for the task as a justification for the draft of the Budget [7, p. 1832]. The first stage of implementation of a new public funds management included works on the draft budget for 2008, 2009, 2010, 2011, 2012, 2013 and 2014. During that period the base of precise measures, specified state functions, tasks and sub-tasks were completed. Monitoring and reporting on the performance budget should be possible after implementation of the IT system which facilitates automation of that process.

The author's experience and analysis of the published materials on performance budgeting results in several basic findings. The performance budgeting should [6, p. 180]:

- concentrate on goals and tasks;
- enhance focus on outcome rather than spending resources;
- provide clear information to a managing board;
- facilitate verification of outcomes of activities in institutions, organizations and companies;
- increase the efficiency of board and staff management.

The analysis proves that performance budget shall influence considerably the change of approach to draft budget: abandoning subjective allocation of budget expenditure in one year perspective and allocating expenditure to strategic (main) objectives and tasks. This kind of tasks include implementation of modern technologies. It should be easier to complete specific tasks with modern, transparent, efficient and effective and multi-annual (three-year long projection of expenditure for defined tasks) performance budget. Possibility to measure the degree of achieving the objective (implementing modern technologies), assigning particular person responsible for a specific tasks and current monitoring of results in multi-annual perspective may appear particularly helpful for performing such difficult tasks.

Undoubtedly, the performance – based budgeting shows a variety of advantages: transparency of functions, tasks, sub-tasks and activities and goals for the society. The hierarchical structure of functions and tasks focus on the outcome, as early as the planning stage, justify the need for spending public funds.

Besides unquestionable advantages, today some problems with implementing this system may be encountered. These problems include the need of defining precisely the amount and the way of spending public funds. The most important aspects are:

- Process of defining measures to assess the degree of task completion;
- Defining objectives for tasks, sub-tasks in a specific state functions;
- Finding compromise between the transparency of a budget and performing confidential tasks;
- Maintaining or abandoning the parametric allocation of expenditure to meet state needs.

Conclusions and recommendations for further research. Performance budgets are introduced to manage public funds better and measure how public funds are spent. For that purpose the measures are applied and precisely controlled. The rule of assigning person responsible results in efficient performance of a task (a substantive task). Operational task may involve more people, thus a team around the performed

task will integrate. Implementation of performance budget in Poland is a fact. The effects will be determined by training of personnel and extensive popularization of this solution.

In the authors' opinion, suggested changes shall successfully constitute one of criteria of management control by accomplishing defined objectives not only lawfully but also effectively, and in a cost-efficient and timely manner. Urgent implementation of correlated changes in a system of drafting a budget is a precondition to manage development of complex organization. Multi-annual planning shows the effects of long term activities, e.g.: savings after some time since covering some cost or future spending generated by specific activities (e.g.: currently completed investments). Implementation of performance budget should bring positive results for the state economy. Performance budget should ensure:

- Coherence of the plan for state development and actions taken;
- Transparency of decisions on covering costs of specific development of objectives;
- Better control of expenditure.

Implementation of performance budget should create possibility to verify enterprises and areas unnecessary in terms of gaining and enhancing capabilities, effectiveness of the decisions taken and their practical completion.

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