

BUDGET PLANNING AS THE PROBLEM OF THE MANAGEMENT OF THE NATIONAL ECONOMY

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The paper examines the goals and objectives of budget planning, the annual, mid-term and long-term kinds of planning. In the article is defined the specificity of the traditional planning for a fixed term, forecasting the economic structure of expenditure, the prediction of the functional structure of expenses, the program medium-term expenditure planning. Methods of budget planning, such as line-item (normative) budgeting, index method, performance-based budgeting, target-oriented and expert techniques are systematized; their strengths and weaknesses are identified.

Keywords: budgeting, budget planning perspective, normative budgeting, index method, performance-based budgeting, program-target method.

The fundamental problems of budget planning in Ukraine are following: discrepancy of current, medium-term and strategic planning; the lack of continuity in fiscal policy; the annual budget is out of keeping with long-term objectives of the government in the field of public finance as well as targets of deficits and debt in the long-term challenges; program approach to planning is missing; complexity connected to planning and implementation of investment programs is available. Recent years, planning at the macro level turns out the subject of extensive discussions purposely not only to avoid crises, but also to regulate the processes of the national product distribution.

Budget planning is the process of size forming of the budget funds, which can be mobilized as income, cost funding, borrowings attraction and repayment.

The purpose of budget planning is to maintain stability and equation, to achieve sustainable economic growth, to create conditions for effective financial management.

The transition to the current stage of reforming public finances highlights the need to fiscal and strategic planning binding.

Budgeting can be medium-term (perspective), annual and intra- annual ones.

Annual planning process involves the draft budget forming for the next fiscal year. The main document (the result) of the annual budget planning is a draft budget for the next fiscal year, intra- annual budget planning is a cash budget (at present it is also a consolidated list because of containing quarter lay-out).

The medium-term financial planning process involves procedures of the development, adoption, monitoring and adjustment of the medium-term financial plan (after the adoption of the budget, or within so-called "rolling three-year plan"). The

main document (the result) of the medium-term budget planning is the medium-term financial plan, or long-term budget.

Term financial plan is drawn up for three years.

In general, there are four main models of the mid-term budget planning, including:

1. traditional planning for a fixed term;
2. forecasting of economic structure of expenditure;
3. forecasting of functional structure of expenditure;
4. program medium-term planning of budget expenditures.

Usually in traditional planning basic program and all funding for a fixed period are pre-determined for typically 5 years.

Forecasting of economic structure of expenditure involves compiling of sliding projections (on a "top-down") of total expenditures according to economic categories.

Forecasting of functional structure of expenditure is similar to the previous method, since it is connected with the preparation of sliding projections (on a "top-down") of total expenditures according to economic categories, but it happens to be particular for each ministry and fiscal authorities.

Program medium-term expenditure planning focuses on carrying it out on the basis of programming. At the same time it does not exclude the determination of expenditure according to economic and functional categories, but it serves as the starting point of the program to be realized by budget organizations.

The cycle of medium-term budget expenditure planning can be sliding or circulating:

Sliding planning is carried out during the budget preparation each year or every two years. Thus, one or two-year cycle of sliding planning necessarily coincide with the previous and subsequent cycles.

There are two basic approaches to the construction of "rolling" budget. The first one is based on the requirements of the Ministry budget, drawn up in accordance with the handed down limit of expenditure.

The second approach is based on the incremental change in the base or reference levels of expenditure (so-called "incremental budgeting"). Common thing among these approaches is that the starting point of both of them is the calculation of the base (reference) level of expenditure.

In the framework of a multi-year budget the base levels of expenditure are calculated by transferring (specification of) last year's assessment of expenditure onto one-year forward estimates of expenditure, so the last year's assessments as they are transferred from the forecasts of the previous year in the preparatory process for the upcoming budget year.

On the contrary, in the case of periodic planning these cycles are following one another. Periodic planning is carried out at the beginning of the period to which it relates, and it shall continue until the expiration of this period. Each of sliding and periodic planning can be adjusted in the middle of the term of its action, which may

consist of two, three, four or five years, including the next financial year. The three-year term is most commonly used.

The most common methods of budget planning and forecasting include the following [5].

Itemized (normative) budgeting means that in accordance with the approved agency budget classification the items of expenditure are justified in details. With this method, the attention is focused on cost analysis and targeted use of funds. State funded organizations prepare an estimate of their planned expenditures, which are analyzed and corrected by budgetary funds managers, and then they are passed for approval to the government.

Index method of planning is based on a variety of indexes reflecting the dynamics of prices, the dynamics of the standard of living of the population and its real incomes. Currently indexes-deflators are fairly well used in the budget planning. The index method specificity of is that the index quantitatively incomparable values are commonly united, making them comparable and commensurable entities.

Using the balance method allows to link the financial resources of public authorities with the need for them arising from the socio-economic development forecasting, to link the budget expenditure with income, to set the distribution of funds' proportion between the budgets of different levels as well as to distribute quarterly income and expenditure.

Performance-based budgeting is a system of the budget process organizing and the state (municipal) administration, in which the expenditure planning is carried out in direct connection with the achieved results according to two main budgeting directions: the first one is that funding is linked to the achievement of specific results and the second one is that the managers themselves choose the "path" to achieve these results. Perhaps, namely such an approach of government policy guidance mixing (in the form of imposing strict parameters) with the freedom of managers, i.e. the full involvement of managerial skills, all that gave impetus to the spread of such type of government expenditure financing.

Program-target method is a system planning, budget allocation for the implementation of targeted programs under the statutory or other legal acts. Target program is a complex document, the purpose of which is to be solving priority problems at the moment.

The method of expert assessments is based on the estimates made by reasonable and competent professionals, experts in their knowledge sectors of the economy, social sphere, taxation, finance, budget, etc.

Preparation of reliable conservative macroeconomic and fiscal forecasts is of fundamental importance. Optimistic approach will lead to excessive expenditure as compared to the probable income as well as to a higher budget deficit and debt.

Most governments make up at least pessimistic and optimistic scenarios (or 3 scenarios - pessimistic, realistic and optimistic).

The Ministry of Finance is responsible for the preparation of fiscal projections, revenue collection and allocation of public finance usually through the Treasury subordinated.

The Ministry of Economic Development and Trade has been compiling long-term macroeconomic forecasts on indicators such as GDP, inflation, the share of public debt in GDP, the national currency, etc.

Results of budget planning process are presented in the following documents:

- scenario conditions;
- the main directions of the budget, fiscal and debt policies;
- perspective financial plan;
- the budget for the next year (in the case of the transition to a long-term (three years) budget).

In the framework of budget planning it is important to take into account the existing budgetary rules. The main types of budget rules are as follows [6].

1. The rules of balance or the deficit adjustment.

(i) the balance between revenues and expenditures of the state (the prohibition on government borrowing), or the limit on government budget deficit as a percentage of GDP;

(ii) the balance between structural (or cyclic) income and expenditures or limit on the ratio of the structural (or cyclical) deficit to GDP;

(iii) the balance between current revenues and current expenditures (loans allowed only to finance investments).

2. The rules of borrowing.

(i) the prohibition on government borrowing from domestic sources;

(ii) the prohibition on government borrowing from the central bank or a limit on the ratio of the size of such loans to the size of government revenue or expenditure in the past.

3. The rules of debt limiting and accumulation of reserves.

(i) the limit on the ratio of the gross (or net) public debt to GDP ratio;

(ii) the target ratio of stocks of budgetary reserve funds (for example, social security funds) to the size of the annual social benefits.

4. Rules of expenditures limiting. They include permanent limits on the aggregate, primary or current expenditures in absolute terms as a relative increase or a percentage of GDP.

5. The rules of limiting related to income. They belong to the upper and lower income limits set by in order to increase revenue collection and / or in order to avoid an excessive tax burden.

For example, by virtue of the agreements of the Maastricht Treaty and the related "Pact of stability and development", the member countries of the Eurozone must respect the fiscal parameters laid down for the general government sector. An upper limit for the annual deficit is up to 3 % of GDP and total debt is up to 60% of GDP.

States should aim for making up of a balanced budget and develop an annual program for stability and growth, reflecting the implementation of these targets.

Up to the present in Ukraine an itemized approach is still being dominated as to planning for one year, which is the main justification of resource requirements for the types of costs in accordance with the functional, departmental and economic classification of budget expenditures. At the same time, budget planning contains elements of performance-oriented budgeting in the form of various sectoral and regional programs.

To improve the quality of budget planning it is necessary:

- to optimize the sequence and content of the procedures of formation of long-term financial plan and budget project;
- to forecast revenue and plan for the liabilities amount in accordance with the available resources;
- to find the optimal balance between equity and debt;
- to ensure maximum compliance with the annual budget of a medium-term priorities.

Particular attention should be paid to ensure the transparency and predictability of state financial policy, realistic economic forecasts underlying the budget planning as well as accounting cyclical factors of economic development in order to ensure the stability of fiscal policy, the mandatory reserve funds for unexpected decline in revenue sources by isolation of the financial resources during periods of favorable economic conditions, which can be used in times of financial situation deteriorating and variability of scenarios forecasting and planning.

Overcoming these limitations in practice, the development of financial plans and socio-economic development plans will allow to implement reforms more effectively associated with the introduction of multi-year budgets in the practice of budget planning and give the plans of socio-economic development of the greater resourcing and justification.

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