

## **Assessment of the effectiveness of budget expenditures**

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**Abstract.** The article assesses the data in terms of the efficiency of the execution of local budget expenditures of a constituent entity of the Sverdlovsk Oblast on the example of the urban district of Nizhnyaya Salda, reports of the financial management of the administration of the city district of Nizhnyaya Slada approved by the decisions of the Duma of the city district of Nizhnyaya Salda. Based on the assessment of the data presented, a conclusion was drawn about the effectiveness of budget expenditures and the identification of problematic points in the process of spending budget funds of the urban district. In the conclusion, possible ways of improving the system of budget expenditures of the city district of Nizhnyaya Salda are formulated.

**Keywords:** budget, budget expenditures, local budget, efficiency of execution, budget process, budget system.

State management of budgetary funds allocates to the local budget treasury an insignificant share of all revenues collected on the territory of the Russian Federation. The funds received, directed to the implementation of various kinds of measures, are able to only partially meet the needs of the municipality and its population in view of their limitations. This moment forms among the population negative sentiments and dissatisfaction with what is happening, which leads to a negative perception of any activity of local self-government bodies.

As a result, local governments need to take measures to effectively distribute available monetary resources in order to meet current needs and planned projects, as well as measures to find additional sources of funding the budget with monetary funds.

The executive authorities of municipalities, on the basis of the RF BC, are assigned the right and obligation to independently ensure the balance of budgets and the effectiveness of the use of budgetary funds; carry out the budgetary process; establish, in accordance with the Tax Code of the

Russian Federation, taxes that are credited to the local budget; determination of the forms and directions of expenditures of budgetary funds, as well as the authority for the formation and development of local budget revenues.

The presence of budgetary expenditures is primarily associated with public needs and the costs necessary to meet them. A significant part of these expenses is made at the expense of the funds of the budget of the municipality, and only a small part - at the expense of decentralized public finance or private funds.

As a result, the local budget funds are no longer sufficient for the implementation of large-scale projects, therefore, their implementation is largely borne by the funds of higher budgets.

In order to receive cash subsidies from higher budgets, the municipality is assessed in the field of the efficiency of using budget funds at all levels, in other words, whether material investments in large-scale projects are being successfully mastered, whether they are turning into "long-term construction", representing illiquid and unpromising assets in the future.

Referring to the concept of "efficiency of budget expenditures" or "efficiency of budget funds utilization", it should be said that at present there is no precise formulation of them in the Federal legislation, which leads to terminological confusion and complicates the introduction of mechanisms for assessing efficiency into the budget process.

In foreign theoretical and applied literature, two basic models were initially identified that characterize the efficiency of budget expenditures:

1. "economy — efficiency — effectiveness", or the "3Es" model, since all three terms start with one letter;

2. "input — output — outcome", or the "IOO" model.

Further, these models were combined into one, which is shown in figure 1 [1, p. 62].

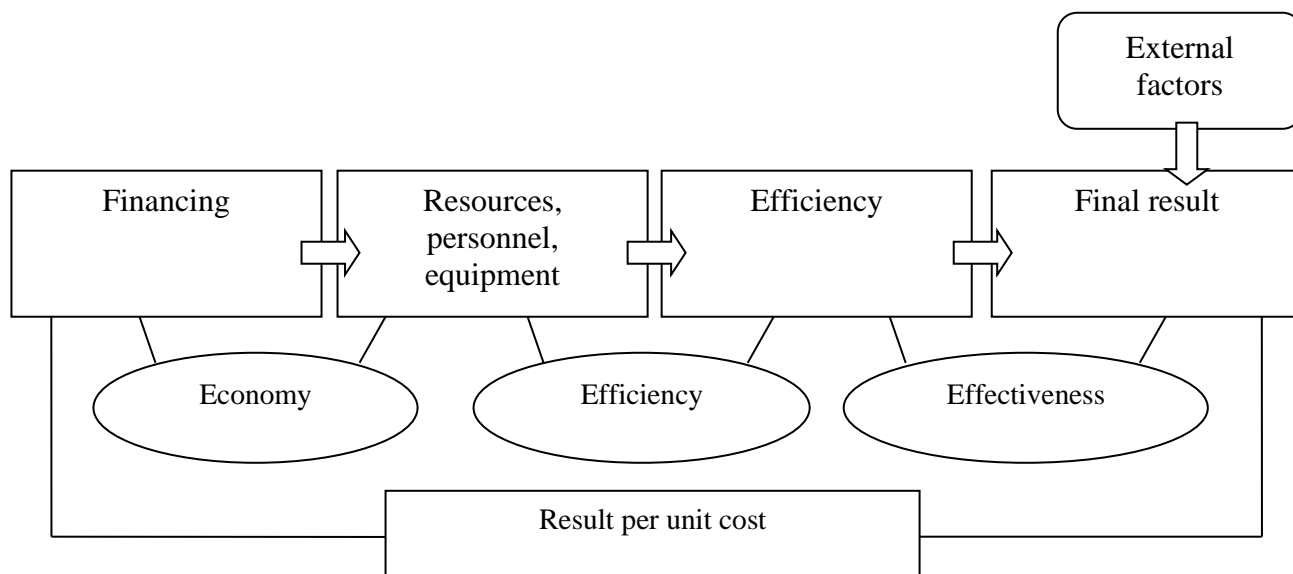


Figure 1. The concept of "efficiency" in foreign literature [2, p. 4]

Evaluating the efficiency of the executive authorities of the constituent entities of the Russian Federation, the concept of cost efficiency was used. Resolution of the Government of the Russian Federation dated 15.04.2009 № 322 "On measures to implement the Decree of the President of the Russian Federation dated June 28, 2007 No. 825" On assessing the effectiveness of the activities of executive authorities of the constituent entities of the Russian Federation "(hereinafter - PP № 322, became invalid due to the adoption Decree of the Government of the Russian Federation of 03.11.2012 № 1142) contained a system of methods for assessing "ineffective costs" in certain areas. The methodology approved by PP № 322 was based on data that reflect infrastructure provision and employment in the public sector. In its formulations, "ineffective expenses" were considered expenses exceeding a certain standard value, thus, in the interpretation of PP № 322 "effective expenses" are expenses that do not exceed a certain level calculated on the basis of specified standards.

As an example, the volume of "ineffective spending" in the field of general education was estimated based on the normative number of pupils per teacher and the class size in urban and rural areas. With this approach, the spending of budgetary funds could be recognized as more effective in the constituent entities of the Russian Federation, where the level of development of social infrastructure and low employment in the social sector is low, even if there was a low quality of provision of budgetary services in the region. The decoding of the term "efficiency" in PP № 322 demonstrates the incorrectness of the estimates characterizing the consumption of resources, not taking into account the results achieved.

The formation of the budget of the urban district of Nizhnyaya Salda consists of: tax and non-tax revenues, budget allocations (grants, subsidies, subventions), and off-budget revenues (profit from the sale and use of municipal property, voluntary donations, etc.).

The assessment of financial regulation of local budgets consists of a statistical comparison of the numerical indicators of the estimated period with the indicators of previous periods, referring to table 1, which shows the official data provided by the Federal State Statistics Service, you can see the dynamics of budget revenues of the city district of Nizhnyaya Salda. (tab. 1)

Table 1 - Dynamics of revenues and expenditures of the budget of the urban district of Nizhnyaya Salda for 2018-2020, in thousand rubles [3]

Indicator/year	2018	2019	2020	Growth (decline) rates, %	
				2019/2018	2020/2019
Tax income	178 468.023	205 696.620	172 117.123	115.3	83.7
Non-tax income	21 721.445	14 525.977	14 696.445	66.9	101.2
Grants	1 606.000	15 087.000	237 031.000	939.4	157.1
Subsidies	211 924.343	319 131.548	336 402.699	150.6	105.4
Subventions	176 309.743	190 732.822	376 957.380	108.2	197.6
Other gratuitous receipts	5 715.500	67 313.200	8 096.650	1 177.7	12.03
Return of the remaining subsidies (in both directions)	- 1 359.753	- 5 710.075	- 4 044.381	419.9	70.8
<b>Total income</b>	<b>594 385.301</b>	<b>806 777.092</b>	<b>925 078.079</b>	<b>135.7</b>	<b>114.7</b>
<b>Total expenses</b>	<b>556 223.905</b>	<b>735 815.822</b>	<b>931 793.519</b>	<b>132.3</b>	<b>126.6</b>
<b>Budget surplus/deficit</b>	<b>38 161.401</b>	<b>70 961.272</b>	<b>- 6 715.440</b>	<b>186.0</b>	<b>9.5</b>

After examining the table, you can see a downward trend in tax revenues in 2020 compared to 2019. This moment is associated with the lockdown period and the introduction of strict restrictions and prohibitions regarding the reduction of the spread of the new coronavirus infection in the urban district of Nizhnyaya Salda.

Non-tax revenues have tended to be stable over the past two years, but at the same time they have decreased compared to 2018.

The sharp increase in funds in the form of grants and subventions in 2020 is regarded as a measure to support the balance of the budget due to the shortfall in tax revenues due to the pandemic of the new coronavirus infection. Also to support the financial cushion for financing large-scale projects that won the selection. Thus, as of 2020, the implementation of the following projects continues: overhaul of the hydraulic structure on the Salda River, overhaul of the area

named after A.K. Bykov, overhaul of the Paris Commune street, and the construction of capital construction facilities continues: a biological wastewater treatment facility, three gasification facilities (gas boiler houses), a ski base.

As and when these projects are implemented, new projects are developed, the standard of living of the population, based on the results of the socio-economic state of the urban district of Nizhnyaya Salda, a conclusion can be drawn about the effectiveness of the use and expenditure of budgetary funds, both of the local budget and higher budgets.

Assessing the effectiveness of budget expenditures, it is necessary to study the dynamics of budget execution in the urban district of Nizhnyaya Salda in the context of 2018, 2019, 2020. Let us refer to table 2, which provides information on the direction of budget expenditures for three reporting years (see tab. 2).

Analyzing the data presented, it should be said that for the period under review, the value of the budget execution of the urban district of Nizhnyaya Salda never reached 100%, at the same time this value is at a level above the average. Since the achievement of a result of 100% is extremely unlikely due to objective reasons and other circumstances arising in each of the periods presented and independent of the actions of the administration of the city district of Nizhnyaya Salda, whether it be: natural disasters, a pandemic of a new coronavirus infection, unscrupulous contractors, etc., we can talk about satisfactory dynamics of spending budget funds. The largest leaps in deviation from planned values were recorded in the following areas: health care, housing and communal services, national economy and environmental protection. Their values range from 45 - 100 percent, therefore, it is impossible to assess unambiguously the effectiveness of their implementation based on the data presented in the table.

Identifying different approaches to assessing the effectiveness of budget expenditures, it is necessary to refer to the research works of colleagues touching upon this topic in the conditions of other territorial entities.

Table 2 - Dynamics of execution of the budget of the urban district of Nizhnyaya Salda by expenditures in 2018-2020, in thousand rubles [4]

Expenditures	2018			2019			2020		
	Plan	Fact	% exec.	Plan	Fact	% exec.	Plan	Fact	% exec.
Health care	861.803	690.918	80.17	4 511.250	2 313.334	51.28	1 337.399	811.261	60.66
National issues	46 741.587	45 386.477	97.1	97 791. 562	74 589. 756	81.26	54 660.816	52 938.351	96.85
National security and law enforcement	7 482. 908	7 451.021	99.57	8 608. 499	8 558. 842	99.42	8 631.000	8 604.471	99.69
National economy	50 799.419	46 386.706	91.31	192 206.577	107 327.556	55.84	194 234.101	157 706.379	81.19
Housing and communal services	93 081.044	42 800.961	45.98	232 887.491	124 995.421	53.67	364 193.449	246 888.439	67.79
Environmental protection	128. 372	128.370	100.0	1 066. 000	933.580	87.58	1 134.511	973.772	85.83
Education	355 815.656	337 400.213	94.82	359 356.590	329 368.817	91.66	380 498.066	370 255.322	97.31
Culture, cinematography	31 901.960	31 895.293	99.98	44 355. 093	44 352. 532	99.99	46 544.600	46 540.630	99.99
Social politics	33 418.600	30 516.123	91.31	31 937. 084	29 782. 209	98.16	34 196.259	33 402.175	97.68
Physical Culture and sport	11 433.366	11 333.823	99.13	11 397. 762	11 393. 775	99.96	11 479.500	11 472.719	99.94
Mass media	2 244.000	2 244.000	100.0	2 200. 000	2 200. 000	100.0	2 200.000	2 200.000	100.00
<b>Total expenses:</b>	<b>633 908.715</b>	<b>556 233.905</b>	<b>87.75</b>	<b>977 295.408</b>	<b>735 815.822</b>	<b>75.29</b>	<b>1 099 109.701</b>	<b>931 793.519</b>	<b>84.78</b>

For example, Astapov K.L., Musaev R.A., Malakhov A.A., representatives of M.V. Lomonosov MSU, in his scientific work, the final integral index is distinguished, as a reflection of the assessment of the effectiveness of the budget spending policy, which is calculated by weighing all measurements, taking into account the established specific weights, according to formula 1:

$$E = \frac{x_i - x_{min}}{x_{max} - x_{min}} \times 100, \quad (1)$$

where  $x_i$  – indicator value over time  $i$ ,  $x_{min}$  – the worst value of the indicator within the period under consideration,  $x_{max}$  – benchmark, reference point for the indicator.

Based on the calculations in the period from 2009-2019, using the example of budget expenditures of the Russian Federation for education and health care, colleagues concluded that the indicative indicators of budgetary policy increased, but did not reach the higher indicators that existed several years ago [5, p. 17].

As a second point of view, let us consider the methods identified by D.V. Tsydenova, a representative of the D. Banzarov BSU, for assessing the budgetary expenditures of the Zakamensk district of the Republic of Buryatia. These include:

1. Evaluation of the effectiveness of budget expenditures based on their structure.
2. Evaluation of the effectiveness of budgetary expenditures based on the ratio of budgetary provision. The budgetary security ratio is the sum of budget expenditures for a certain period per capita. Calculated by formula 2:

$$C_{bs} = \frac{E}{S}, \quad (2)$$

where  $C_{bs}$  – budgetary security coefficient,  $E$  – budget expenditures for the period,  $S$  – population size in the region at a given period.

Thus, after analyzing the education sector of the Zakamensk region, D.V. Tsydenova. came to the conclusion that the main direction of cost optimization under the item "Education" is to reduce the cost of utilities and channel the released funds to increase staff salaries, purchase materials, food, etc. [6, p. 2].

Based on the considered methods for assessing the spending of budgetary funds of the Russian Federation and the Republic of Buriatia, one can make our own assessment of the efficiency of spending the budget of the urban district of Nizhnyaya Salda, using the formula for the budgetary provision coefficient applied by D.V. Tsydenova. when considering the effectiveness of spending budget funds on the education sector in the Zakamensk region of the Republic of Buryatia, and suitable for assessing in this scientific work (tab. 3).

Table 3 - an assessment of the efficiency of spending the budget of the urban district of Nizhnyaya Salda [3;4]

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Budget expenditures, million rubles	556.234	735.816	931.794
Population, people	17 627	17 605	17 508
Fiscal security ratio	0.03	0.04	0.05

Summarizing Table 3, we come to the conclusion that an average of 0.04 million rubles is spent for each resident of the urban district of Nizhnyaya Salda in all the presented areas of spending budgetary funds of the urban district of Nizhnyaya Salda. There is also a noticeable trend towards an increase in the ratio of budgetary provision, which in turn indicates an annual increase in the funds spent.

Summing up the scientific work, we can agree with the fact that the assessment of the efficiency of spending budget funds is of a conditional nature, which straightforwardly evaluates digital values, overshadowing the realities and existing deviations, which in turn distorts the idea of the budgetary policy of a particular territorial entity.

Each author under consideration singles out for himself the most priority and easy-to-use method for assessing the effectiveness of budget expenditures. Often, using several methods at once to form a more complete picture. Based on the assessment made, one can talk about the effective or ineffective spending of the budget, looking for additional directions and opportunities for adjusting the budgetary policy in order to improve efficiency.

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