

MODERNIZING OPTIONS OF BELARUS' BUDGET SYSTEM AT CURRENT STAGE

Belarus is witnessing a low efficiency level of budget funds, along with a relatively low quality of state services in general. Besides, the operations of the bodies of state governance association with the movement of budget money are non-transparent, which contributes to a high level of corruption in the state sector.

The excess number of labour force in the state sector is at least 20-25%. For several years in a row, the hidden budget deficit has been financed through quasi-fiscal operations of the National Bank and other state-owned banks; that is, in effect, by money emission, which was one of the reasons of the current economic crisis in the country.

To improve the sustainability of the economic and social development of Belarus, it is expedient to optimize the structure of state expenditures (including reduction of certain budget items).

In 2009, the Ministry of Finance began a transition to the system of programme budgeting. However, most of the problems remain unaddressed: the lack of transparency in funding state programmes; the access to detailed statistical and analytical information on the actual execution of the budget is closed; no specific criteria and indicators for assessing the efficiency of state programmes have been developed; there is no responsibility and accountability of the managers of budgetary funds, etc.

The modern international practice offers several basic approaches to preparation and execution of state budgets: the Line Item Budgeting; the Programme Budgeting; the Performance Based Budgeting (PBB); the deficit-free budgeting; the Priority Based Budgeting and others.

The PBB is used, as a rule, in economic systems with limited resources or in low-income countries. The transition to the PBB mean a shift of accents in the activities of the state administration towards the result-based governance on the results of the reform of fiscal relations, optimization of the network of budgetary organizations and improved efficiency of budget expenditures. It means that the budgetary resources are distributed among the managers thereof and budget programmes depending on their goals, in line with the medium-term priorities of the socio-economic policy and within the projected long-term budget resources.

This approach assumes controlling the efficiency of budget expenditures by assessing the achievement of the quantitative and qualitative indicators of state programmes.

The orientation towards the final result suggests a possibility of reduction or complete stop of funding state programmes in case they are implemented with low effect. The ministries and agencies hold a healthy rivalry for budgetary resources, which contributes to the quality of state services and the achievement of the goals. At the same time, the managers of budgetary funds receive some financial autonomy and flexibility.

Besides, the managers of state programmes feel their limits of responsibility for execution of the budget and achievement of results at minimum costs.

Policy brief

An important issue in transition to the PBB is the development of clear criteria and indicators for assessing the efficiency of state programmes and activities of individual agencies. Moreover, these indicators should be clear and easy to understand, and reflect objectively the social significance of funded programmes. For example, for the Ministry of Public Health one of such indicators can be an increase in life expectancy up to the average European figures.

Of critical importance is the ability of the government to reduce the employment of state servants in low-priority or inefficient programmes. The thus released human resources can be directed to priority state programmes or to the private sector of economy, which will contribute to an increased efficiency and competitiveness of the national economy as a whole.

A major prerequisite for transition to the PBB system is the need to reduce the level of corruption in the state sector, an unconditional support for the fiscal reforms by the top political leadership, ensuring of information transparency and provision of the general public and mass media with an access to statistical information about the actual fulfilment of state programmes.

In our opinion, in the next two to three years, Belarus will have to make a full transition to the PBB in order to have at least 90% of the state budget spent within relevant state programmes with imposing responsibility for the results on particular managers of budget funds. In this case, particular criteria and indicators should be developed for assessing the efficiency of state programmes, along with a system of penalties and incentives for state servants.