

BUDGET CONTROL AS AN INSTRUMENT OF STRATEGIC PLANNING REFORM

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Abstract

The process of planning, implementing and evaluating the results of budget programs in Armenia has been researched. In order to solve the emerging problems, it was proposed to develop a unified approach and methodology for strategic planning and preparation of budget programs and measures. It was also proposed to conduct an ongoing assessment of existing strategic documents and budget programs by introducing a control system at the planning stage.

Keywords: strategic management, strategic planning, budgetary supervision, state budget, spending policy.

Introduction

As with any sector, the socio-economic development of the state is ensured through developed and implemented policies.

Policies are essentially strategic documents, so the policy-making process is closely related to strategic planning, its forms and methodology. In Western literature, strategic management is considered largely at the level of corporations and other enterprises. Such an approach is explained by the fact that it was formed, applied and developed in large companies, where there is a rich experience and methodology of intra-company planning. But the economy, although it consists of many enterprises, functions as a complete system. At the same time, the relative freedom of individual organizations is limited by the unified legal and economic field specific to the whole system, mutual ties, trends characteristic of economic dynamics, general social and political environment. The development trends and patterns of the crowd system and the organizations that make up its parts are also different, which determines the characteristics of management by levels, so strategic management should cover the entire system (macro level) and its individual parts (micro level) [1]. From this point of view, when developing a state strategy, it is necessary to separate the state as an organization, for which the methodologies of micro-level strategies will be most applicable, and the state as the regulator of the entire system, for which macro-level strategies will be most applicable.

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The role of the state as the regulator of the whole system is very vividly presented by the Nobel laureate American professor V. Leontev. He compares the country's economy to a sailing ship in the sea, according to which he states, "For things to go well, wind is needed, it is interest, and state regulation is the rudder [2].

"Management problems" by American economists Killen and M. Mesconi, F. Hedouri and M. Albert's "Fundamentals of Management" works, economists describe management as a process of its functions: planning, organizing, motivating and controlling, which is necessary for the formation of goals and their achievement [3, 4].

According to another economist P. Drucker's formulation, management is a special type of activity that transforms a disorganized crowd into an effective and purposeful group[4].

This article discusses the improvement of the strategic management process through the implementation of control at the planning stage of their process.

The "Lima Declaration of Guiding Principles of Supervision" adopted at the 9th Congress of the International Organization of Supreme Audit Institutions defines that supervision is not the goal in itself, but an integral part of the regulatory system, the purpose of which is to identify deviations from established standards and violations of the principles of legality, efficiency and economy during the use of material resources. at the earliest possible stages, so that it is possible to take appropriate steps, bring the culprits to justice, receive compensation for the damage caused, and implement measures to prevent or eliminate similar violations in the future [5].

Among the directions of state control, budget control stands out in terms of its importance, the main task of which is ensuring the proper fulfillment of budgetary process. Budget control is carried out directly through the assessment of budget indicators, the main of which are income and expenses [6].

The policy is the vision of the ways of development of the state, the realization of universal goals and the national management, which is outlined and defined in the government programs in accordance with the constitution and laws of the country and comes to life through the planning and implementation of the corresponding strategies. The policy in the field of socio-economic development implies a certain state intervention in the economic life of the country, which means that unlike the planned economy, where the economy is completely under state management, in the free market economy, the state implements the intervention resulting from the adopted policies, promoting the development of sectors and for balancing purposes.

Policies are implemented through strategies and strategies through sectoral programs and activities. Strategies, by their nature, may or may not have an impact on public expenditures and revenues and have a direct relationship with the budget process, so the effectiveness of public finance management depends on the effective implementation of policies and strategies [7].

There is also a mention of this topic in the 2021-2026 plan of the RA government, particularly regarding the RA government's initiatives in the direction of institutional development, strategic planning and policy development, and increasing the efficiency of public resource management in general. In the 6th chapter of the program, "Institutional development", it is mentioned that a number of important strategies and action plans have

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been adopted by the RA government since 2019 and started to be implemented, among which is the "state finance management strategy" [8].

Taking into account the above, below are presented considerations regarding the existing problems in the public finance management system, policies and their impact on the sectors, and the concept of directions for the effective solution of the mentioned problems, as well as recommendations regarding them.

The budget system in the Republic of Armenia consists of two types of budgets: municipal and state budgets [9]. Municipal budgets are financial income and expenditure management documents aimed at solving community issues by local self-government bodies, and the state budget is the main document of state finance management, which includes all types of financial income and expenditure of the state. The state budget consists of budget programs and measures that are developed on the basis of strategic documents affecting state revenues and expenditures, in accordance with the government's spending policy strategy defined by the Medium-Term Expenditure Plan (MEP).

Since the beginning of the 2000s in RA, in order to increase the efficiency of public finance management, works aimed at drawing up budgets in a program format have been carried out, based on which the program budgeting (PB) system was introduced [10]. It is a method of budgeting in which the budgeting process is based on the programs implemented within the budget. Programs are a set of measures to achieve certain budgetary results, on the basis of which budgeting requires, in addition to purely financial detailed information, to include programmatic information in the budget. That is, the goals and results that are intended as a result of the implementation of any sectoral strategy should be clearly stated in the budget, and the sectoral strategy is the set of steps resulting from a political decision to achieve public goals.

In general, the emergence of program budgeting and its toolkit is largely determined by the need to overcome the insufficient clarity between the system of sectoral strategies and the traditional (input) budget system. Previously, these systems functioned quite independently of each other. In fact, within the framework of the sectoral strategy, the area of goals, objectives, and performance indicators was discussed, while within the framework of the budget system, resource planning was discussed, and the issues of ensuring interconnection and harmony between them were left to narrow professional circles (for example, scientific research and cost planning institutes).

Program budgeting reforms are a logical part of the second generation of fiscal reforms that began in the 2000s. The first step on that path was the gradual introduction of the MPDP, which was followed from 2004 by the reforms of the PS. Until the end of 2008, the main support to the RA government in the field of the mentioned reforms was provided within the framework of the program "Support to the Implementation of Program Budgeting in Armenia" of the Great Britain Department for International Development (DFID), as a result of which the first (pilot) methodological guidelines for the implementation of the PS were developed and approved, which then tested and piloted in social ministries. In the following years, until 2009, all departments implementing budget programs were included in the process of pilot implementation of the PS reforms. Along with that, in parallel with the traditional format, RA state budgets were gradually developed and presented in the PS format as an appendix to the quarterly proportions of the state annual budget.

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Since 2012, the cooperation has been carried out under the regional program of "Public Finance Management in the South Caucasus", within the framework of which a general action plan was developed and agreed with the Ministry of Finance of the Republic of Armenia.

The following results were achieved within the framework of cooperation:

a. A system of new program structure and new teachers of these programs for all departments implementing spending programs with the RA state budget. In order to implement the latter, advisory support was provided to the RA Ministry of Finance and other departments. According to it, the drafts of the RA state budgets for 2012 and 2013-2015 were drawn up.

b. as a result of the reform of the structure of the programs, instead of around 860, around 153 programs have been formed in the budget system. For 83 of them, which are of most interest to budget information users and the public, it is planned to create a system of budget program descriptions (passports). The budget plan description enables to measure and present all the important financial and non-financial indicators and targets necessary for the planning of expenditures and performance evaluation for the given project.

According to the relevant order of the Minister of Finance of the RA, the "Methodical manual for defining programs and measures in the format of program budgeting" and the "Methodical manual for defining performance indicators for programs and measures in the format of program budgeting" are defined, according to which the main goal of program budgeting (hereafter: PB) is to improve spending priorities, which means that, other things being equal, limited budget resources are allocated to programs that provide the greatest benefits to the public. By providing information on program costs and benefits in the budget process, the PS system also supports decision-making on reducing or expanding budget programs. The purpose of the project should express the specific social or public problem that the project is aimed at solving.

Conflict Setting

The purpose of the program should express the logic of the existence of the program and correlate it with the policy or strategic goals of the state. When defining the objective of the project, one should fix one main objective, avoiding multiple objectives and a lengthy statement.

Research Results

Summarizing the above processes, the Budget process can be divided into three main levels: 1. Planning level; 2. Performance level; 3. Level of accountability.

From the point of view of effective management of public finances, the proper implementation of the processes at the three levels mentioned is extremely important. At the planning level, budget programs and measures are developed by relevant departments within the framework of sector policies, which, as mentioned above, should be derived from relevant strategies, but currently there is no unified approach and methodology for developing strategies in the Republic of Armenia, where the main requirements for strategic documents will be presented. Examining the currently implemented budget programs, it becomes clear that most of the budget programs are drawn up without appropriate strategic documents, and the compliance of the mentioned programs with the program budgeting requirements is of a formal nature. In other words, the replacement of the traditional system of budgeting in RA

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with the system of program budgeting was carried out by adapting the traditional budget programs to the program format, and the state budget does not correspond to the essence of program budgeting in its content and essence.

Budget programs are generally not defined in accordance with the methodological guidelines defined by the order of the Minister of Finance of RA, but also, as in the case of traditional budgeting, they are defined in a general way, the goals and results are not clear, targeted and not well formulated, they are not presented in numerical form or quantitatively in relation to a certain benchmark or period. , to be able to evaluate their results. The lack of the possibility of current evaluation does not allow to identify the circumstance of non-fulfillment or incomplete provision of the goals and final results defined by the programs, in which case the need for revision of the given measure could arise. The specific target indicators, the base indicators characterizing the current situation, and the target indicators that are planned to be achieved through the implementation of the project are not defined. In this case, the definition of performance indicators also implies clear responsibility and accountability for the achievement of those results.

In relation to the above problems, the RA government's five-year plan states that the government will initiate the following steps in the direction of strategic planning and policy development:

Advanced practices for planning and implementing strategies and policies will be introduced, and the necessary methodological foundations for them will be modernized.

Point 10 of Chapter 6 of the program, "State Expenditures", states that in terms of increasing the targeting of expenditures, a transition will be made to strategic planning, the existing strategies will be reviewed, the latter and all strategic documents to be developed will be combined with the RA government's five-year plans, medium-term expenditure plans and with annual program budgets.

In order to increase the effectiveness and usefulness of the programs, a regular process of budget program evaluation will be introduced, the lack of which limits the RA government's opportunities to evaluate the results of the budget programs, revise and improve the budget programs [11].

In order to assess the clear impact of the use of public funds, it is planned to introduce such criteria for the evaluation of budget programs and such standards of accountability, which will allow to improve both the efficiency of spending resources and financial discipline.

The study of currently implemented budget programs shows that most of the budget programs, for example, a number of support programs for the agricultural sector, many budget programs implemented in the environmental, social, water use, soil use, healthcare, and defense sectors, are made up of a set of requirements set for the budget programs. with violations, as well as there is no clear connection between them and any strategic document, or there is a strategy, but the data presented is not clear and reliable. This problem is of a systemic nature, because currently in RA there is no unified approach to the preparation of strategic documents and requirements for such documents, there are no relevant legal regulations, in the event that, as already mentioned, the government's five-year plan envisages the creation of institutional development and an effective strategic planning system.

The above-mentioned problem is also present in the financial management systems of state-owned joint-stock companies that provide income to the state budget, there is no unified

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strategic planning system that will ensure the definition of clear and measurable goals and performance indicators and ensure their implementation.

In addition to the above-mentioned problems, there is currently no effective control system of the budget process at the planning level, which will ensure the implementation of control over strategic documents and budget programs and ensure the current evaluation of budget programs, which is also fixed in the five-year plan of the RA government. Implementation of budget control in RA is a multi-layered system of state bodies performing control functions. The control function of the first layer can be considered the implementation of the control powers of the bodies implementing the processes of generation and expenditure of state funds in their fields of activity through inspection bodies and other control units. Control of the second layer can be considered the function of internal and external audit in state bodies, which is more aimed at increasing the efficiency of generation and spending of state resources. And the control of the third layer is carried out by the executive and legislative bodies through the bodies carrying out control functions, which are currently three in RA: the RA State Control Service, the RA Audit Chamber and the RA Ministry of Finance.

Currently, in RA, the bodies exercising control over budgets at all the above-mentioned levels carry out control mainly at the level of budget execution, and at the levels of budget planning and accountability, control is of a derivative nature, or at these levels, preliminary methodical control is mainly carried out, which does not have enough discipline. and to ensure efficiency. In the conditions of exercising control over the budget programs in the planning stage and as a result of the current evaluation and review of the budget programs, it is possible to save and redistribute large amounts of inefficient expenses to more important areas than the violations found in the execution stage.

Controlling bodies are not legally limited in carrying out control over budget programs and strategies, but the said process is not regulated and each control body can carry out the mentioned function with different approaches to a limited number of programs or strategies, but in the strategy development and planning phase, control mechanisms are absent. In addition, more in-depth professional knowledge of budget process planning and programming and research and research of advanced practices.

In order to solve the above-mentioned problems, it is necessary to develop a unified approach and methodology for the preparation of strategic planning and budget programs and measures, as well as to carry out a current evaluation of the currently active strategic documents and budget programs by introducing a control system at the planning stage. The definition of strategic goals (their hierarchy) should be a prerequisite for the formation of budget programs and measures, which ultimately should contribute to the realization of these goals. From the point of view of hierarchy, strategic documents should be derived from the policies and programs of the RA government, they should have uniform conditions and methodology.

From the point of view of strategic planning, it is necessary to separate budget programs into three levels:

- Budgetary programs and measures that result from sector policies and are aimed at the development of economic, social, territorial, environmental, security, industry, military industry, healthcare, education and other sectors.
- Budget programs aimed at ensuring state management processes, such as expenses for maintaining the equipment of state institutions and state-funded organizations.

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- Budgetary programs and measures that provide state budget revenues, including budgetary programs resulting from tax and customs policies. In this context, it is also necessary to develop a unified strategic planning methodology for joint-stock companies that provide state revenues, which will enable to reassess the potential of these organizations and ensure the growth of dividends paid by them to the state budget, as well as the development of their fields of activity.

Taking into account the above, the RA government's 2021-2026 In order to ensure the regular process of evaluating budget programs defined by the program, we propose to create such a unit in the state administration system that will be directly subordinate to the RA Prime Minister, will develop the unified methodology of strategic planning and budget program preparation, will exercise control over the process of preparing strategic documents, the data contained in strategic documents, according to the defined base and to the accuracy and reliability of target indicators, given financial (expenditure) estimates and other data in the documents, to the planning and effectiveness of budget programs, which will allow to assess the clear impact of the use of public funds, to evaluate the results of budget programs and to have strategic documents and budget plans that have undergone professional expertise programs, ensuring the implementation of the function of regular assessment of budget programs provided by the program of the RA government.

Conclusion

Implementation of an effective system of strategic planning, examination and control of strategic documents and budget programs at the planning stage will allow to have a more effective state budget, and control at the accountability stage will ensure the process of regular evaluation of budget programs, which will create an opportunity to spend state finances in the most effective directions.

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**ԲՅՈՒՋԵՏԱՅԻՆ ՎԵՐԱՀՍՎՈՂՈՒԹՅՈՒՆԸ ՈՐՊԵՍ ՈԱԶՄԱՎԱՐԱԿԱՆ
ՊԼԱՆԱՎՈՐՄԱՆ ԲԱՐԵՓՈԽՈՒՄՆԵՐԻ ԳՈՐԾԻՔ**

Թևոսյան Ս.Խ.*Երևանի պետական համալսարան*

Հետազոտությունը է Հայաստանում բյուջետային ծրագրերի պլանավորման և արդյունքների գնահատման գործընթացը: Ի հայտ եկած խնդիրների լուծման համար առաջարկվել է մշակել ռազմավարական պլանավորման և բյուջետայի ծրագրերի ու միջոցառումների կազմման միասնական մոտեցում և մեթոդաբանություն: Առաջարկվել է նաև իրականացնել գործող ռազմավարական փաստաթղթերի և բյուջետային ծրագրերի ընթացիկ գնահատում՝ պլանավորման փուլում վերահսկողության համակարգ ներդնելու միջոցով:

Բանալի բառեր. ռազմավարական կառավարում, ռազմավարական պլանավորում, բյուջետային վերահսկողություն, պետական բյուջե, ծախսային քաղաքականություն:

**БЮДЖЕТНЫЙ КОНТРОЛЬ КАК ИНСТРУМЕНТ
СТРАТЕГИЧЕСКОГО ПЛАНИРОВАНИЯ РЕФОРМ**

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Рассмотрен процесс планирования, реализации и оценки результатов бюджетных программ в Армении. Для решения возникающих проблем, предлагается разработать единый подход и методологию стратегического планирования бюджетных программ и мероприятий. Предлагается также провести текущую оценку существующих стратегических документов путем внедрения системы контроля на этапе планирования бюджетных программ.

Ключевые слова: стратегическое управление, стратегическое планирование, бюджетный контроль, государственный бюджет, расходная политика.

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