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Abstract: The article examines the features of results-oriented budgeting, which is one of the current directions of reforming the budget process in the Republic of Uzbekistan. The study analyzes the theoretical foundations of ROB, international experience, the socio-economic significance of its implementation in the conditions of Uzbekistan, as well as emerging problems and ways to solve them. It has been established that the specifics of implementing the ROB system in Uzbekistan are related to factors such as medium-term planning, administrative reforms, reference infrastructure, and personnel training. As a result of the research, practical proposals were developed for the phased transition to ROB, improvement of the regulatory framework, improvement of personnel qualifications, and implementation of a medium-term planning system.

Keywords: budgeting, budget processes, budget planning, expenditure method, result-oriented budgeting, resources, benefits, budget reform, financial management, strategic planning, efficiency, state policy.

Introduction

In the context of economic development and modernization of public administration systems, result-oriented budgeting (ROB) occupies a stable place as one of the main mechanisms of modern financial management. Today, many countries, including Uzbekistan, are transitioning to this budgeting model in order to increase economic efficiency and improve the quality of public services. Result-oriented budgeting is a system of budgeting aimed not at the amount of funds allocated, but at the specific results and goals of the implemented state policy and programs.

In the Decree of the President of the Republic of Uzbekistan dated September 11, 2023 No. UP-158 “On the Strategy “Uzbekistan – 2030””, the 46th goal is defined as “Ensuring fiscal stability and effective management of state obligations”. To achieve this goal, one of the 5 performance indicators is planned to fully transition to the practice of “Result-Oriented Budgeting” by 2030[1].

Also, one of the main goals of the Strategy for Improving the Public Finance Management System of the Republic of Uzbekistan is the development of the medium-term budget framework and the introduction of a new “result-oriented budget” (Program Budgeting) system for annual budget formation, for which the following were implemented [2].

In order to fully understand the specifics of ROB, it is necessary to analyze all aspects of its stages of development, theoretical foundations, and practical application. This scientific article is devoted to the scientific and theoretical study of the methodological foundations, features, and specific aspects of the processes of practical implementation of result-oriented budgeting. In this case, it is advisable to identify the main features that distinguish ROB from classical budgeting methods, as well as to analyze the problems and possibilities of its practical implementation.

As world experience shows, in the system of result-oriented budgeting, results and target indicators become the main criteria in the processes of distribution and use of budget funds. This, in turn, requires fundamental changes in the formation of the activities of state bodies, in particular, further improvement of planning, monitoring, and evaluation mechanisms. Therefore, an in-depth study of the specific features of the ROB makes it possible to effectively apply this system in practice.

The significance of this study lies in the fact that the successful implementation of the result-oriented budgeting system will allow increasing efficiency and transparency in public administration, ensuring the principles of loyalty and targeting in the spending of budget funds. The article highlights the scientific and theoretical foundations of the specific features of ROB, their place and significance in practice, as well as the experience of developed countries and aspects of practical application in Uzbekistan. By correctly understanding and applying the specifics of result-oriented budgeting in practice, there is an opportunity to further improve the state financial system, increase budget efficiency, and ensure good public administration.

Analysis of literature on the topic

The introduction of new approaches to budgeting is an integral element of reforming the public sector management system and is aimed at introducing management business technologies into the activities of the state apparatus. Result-oriented budgeting (ROB) is a modern approach to the budget process aimed at increasing the efficiency and effectiveness of public services. In the USA, result-oriented budgeting began to be implemented in practice from the mid-1990s. American economist Allen Schick (Allen Schick) presented important analyses of ROB practice in his work. In his 2003 article, *The Performing State: Reflection on an Idea Whose Time Has Come but Whose Implementation Has Not*, he highlighted the problems of ROB in theory and practice.^[3] Donald Moynihan (Donald Moynihan) in his 2008 paper *The Dynamics of Performance Management: Constructing Information and Reform* ^[4] studied how ROBs are applied in executive bodies and their impact on performance.

In the European Union, ROB is being developed within the framework of the “Spending Reviews” concept. In the study “Performance Budgeting in OECD Countries”, published in 2016 by Professor Mark Hall (Mark Hall) of the London School of Economics and his colleagues, he conducted a comparative analysis of the experience of different countries in the EU. The Dutch scholar Johan Alders, in his 2019 article “Performance-Based Budgeting in the Netherlands”, examined the practice of the ROB in the Netherlands and the problems in the process of transitioning to the cost approach.

Russian economist V.V. Klimanov, in his 2010 article “Result-Oriented Budgeting: Theory and Practice” ^[7], highlighted the development and problems of RB in Russia. Another researcher, A.M. Lavrov, in his 2015 article “Budget Reforms: Results and Effectiveness” ^[8], analyzed the impact of the ROB on the Russian economy. One of the Uzbek economists, R.Kh. Abdullayev, in his 2019 article “Theoretical and Methodological Aspects of Implementing Result-Oriented Budgeting in Uzbekistan” ^[9] examined the specific features of the application of ROB in the national economy. Another researcher, Sh.T. Khojieva, in her 2020 study “Methodology for Evaluating the Activities of Budgetary Organizations Based on Results” ^[10], developed evaluation criteria used in the practice of budgetary organizations.

In our research, the technology of “result-oriented budgeting” can be considered a modern form of budget formation and execution. This technology represents the relationship between budget expenditures and the expected effect from these expenditures, the result achieved by the provision of budget services, and their social, economic efficiency and effectiveness^[11].

Research methodology

When conducting research on the technology of “result-oriented budgeting”, methods of grouping, abstraction, comparative analysis, and structural analysis were widely used.

The study conducted a systematic analysis of the literature on “result-oriented budgeting”. It should be noted that “result-oriented budgeting” has been studied in various literature as a technology, model, method, method, system, and mechanism.

Analysis and results

Countries that previously had a centralized system of economic management, as well as many Western countries, use the expenditure approach (input budgeting) in budgeting. This approach is characterized by a method of resource planning and distribution, in which the relationship between resources and the immediate results of their use, including the results of the activities of state institutions, is very weak, i.e., cost budgeting is primarily focused on available resources (Table 1).

In turn, result-oriented budgeting prioritizes the strategic goals and tactical tasks of state organizations (ministries and agencies), expected socio-economic results. This is done by mobilizing resources through appropriate programs. In addition, the starting point of result-oriented budgeting is the determination of direct and final results and indicators of budget expenditures, on the basis of which one can judge the degree of achievement of the set goals.

Table 1

Comparative description of the “cost” model and the ROB model*

Comparison criterion	Cost model	ROB model
Planning object	Budget expenditures	Budget expenditures and results
Basic principle of selecting “new” costs for financing	Political decisions, mutual agreement, selection procedure is opaque.	Depending on expected results and performance
Planning activities	High	Relatively low
Planning period	One year	Medium term (3-5 years)
Powers of the Chief Administrator of Budget Funds	Relatively narrow - spending funds according to plan and established procedures	Broader - managing resources, including budget funds, to achieve the best results
Responsibility of the Chief Administrator of Budget Funds	Targeted use of budget funds in the prescribed manner	Activity results
Economic interest of the chief administrator of budget funds	Not available	The Chief Administrator of Budget Funds is interested in the effective management of budget resources.
Control object	Targeted use of budget funds	Results of the activities of the chief administrator of budget funds, effectiveness, efficiency of expenditure of budget funds
Supervisory bodies	External control bodies	External control bodies, internal control

*Source: Author's development

Foreign experience shows that there are two possible options for transitioning to the budget process, built on program-target principles. The first option consists of the phased introduction of elements of program-target principles into the budget process by all participants in the budget process (primarily ministries and agencies). The second option provides for:

- 1) selection of several pilot ministries, in which all the main elements of program-targeted budgeting will be implemented simultaneously;
- 2) analysis of the obtained results;
- 3) making adjustments to the preliminary reform plans;

4) to apply the amended plans to other ministries and agencies.

The transition to result-oriented budgeting mainly involves a gradual change in the mechanisms for monitoring its implementation. Budget execution control consists of three main stages:

1. External control of expenditures carried out by central regulatory bodies, such as the Ministry of Economy and Finance, the Accounts Chamber, etc.

2. Internal control of expenditures carried out by the sectoral ministries themselves.

3. Management independence of the subdivisions of sectoral ministries, responsibility for achieving results.

It is necessary to allocate sufficient time for the effective transition from cost-based budget planning and execution to result-oriented budgeting. It should be taken into account that it took several decades to implement this approach in leading developed countries. Thus, in the USA, the first steps in this direction were taken half a century ago, and now the mechanism of result-oriented budgeting is being improved.

Until recently, the cost model of financial planning was the most widespread. It was believed that the expenditures of government agencies should be controlled, and the results should be “applied” automatically, depending on the presence of a particular government agency. This position is reinforced by at least three positions.

Firstly, it reflected the interests of the state bodies themselves, their managers and employees, for whom it was easier to report on the funds spent, and not on the results achieved. Standing in the position of “ordinary executor”, “budget recipient”, the state body and its leadership assigns responsibility for the consequences of decisions made to the top of the administrative pyramid. All claims of society are transferred to higher-level managers, while lower-level officials remain “pure and clean”. They follow orders, strive not for efficiency, but only for the targeted use of funds. In this case, it is often very difficult to distinguish between the targeted and non-targeted use of the budget, since the tasks and functions of state bodies are not clearly defined.

Secondly, results in public administration, unlike costs, seem to be an incomparably more complex and less formalized subject for measurement, control, and management. Following tradition, managers are very cautious about the possibility of granting subordinate organizations greater freedom in managing funds. Indicators as a mandatory assignment appear too unreliable for control. The functions of a state body are not clearly defined, and its powers include various and often incompatible functions.

Thirdly, the “objective” reason for maintaining the existing system of financial planning in the civil service is the lack of budget funds and the difficult economic situation of the country.

Let's consider the following as a practical example of a ROB:

Reforming the budget process based on the principles of the ROB is not an end in itself, but a means, an instrument of increasing the effectiveness of government bodies, encouraging them to focus their efforts not on self-service, but on priority areas for society.

What exactly does this mean? For example, resolving the issue of the need to transition to 12-year education and, consequently, the feasibility of financing such a reform:

- based on the priority directions of state policy in the field of education;

- in comparison with the social significance of priorities in other areas, for example, in science, culture, healthcare;

- based on a thorough assessment of the expected results of these and alternative reforms;

- based on a thorough and comprehensive assessment of the effectiveness of previous educational reforms, primarily the transition to 11-year education. That is, based on data that allows measuring the actual results of 11-year education reform with sufficient accuracy with the expected results in the planned period and the actual required expenditures.

For this to be the case in practice, all stages of the budget process, as well as the functions of its participants, will be promptly reformed after the expenditure of large budget funds, without waiting for the ineffectiveness of any reform (or expenditure) to appear to the naked eye.

The development of the draft budget in the ROB begins with clarifying the priorities of state policy. For ministries, this means almost the following.

The President of the Republic of Uzbekistan, in his report at the meeting of the Oliy Majlis, sets the task of "increasing the economic impact on the results of reforms in the field of education."

This should be reflected in the strategic goals of the relevant ministries, primarily, in this case, the Ministry of Public Education, the Ministry of Higher Education, Science and Innovation of the Republic of Uzbekistan.

In addition, ministries need to determine how they will achieve the set goal, i.e., what specific tasks they need to solve to achieve this goal.

The next step is for the ministries to develop a set of programs (or make adjustments to existing ones) to implement these tasks.

At the same time, priority should be given to the question of what specific results will be achieved in the implementation of these programs.

And most importantly, it is necessary to develop indicators that allow tracking how these results have been achieved, i.e., indicators that can measure how much the "sensitivity of the economy to educational reforms" is increasing.

Only then will it be possible to move on to cost estimates both for the entire period of the programs and for the next budget year. This process of budget preparation differs significantly from the expenditure method of budgeting, where - at least in its pure form - the starting point is not priorities and results, but the expenditure needs of the ministry.

Thus, the ROB serves as a means of linking budget expenditures with priority areas. With such an approach, the probability that the established priority will not be just a challenge is much higher than with the cost approach to drafting the budget.

Maintaining the established practice of planning, financial management, and control of activities in the field of public administration leads to the following shortcomings of the cost model:

Responsibility for making financial decisions is concentrated at the highest levels of management, which are overloaded and often cannot receive incoming information sufficiently. The decision-making process, requiring numerous agreements, is dragging on. Decisions themselves sometimes become irrelevant.

- The level of responsibility at the lower levels of public administration decreases, and initiative is limited. There is no interest in saving funds and effectively using local resources. The status and level of wages are determined by the number of subordinates, length of service, the volume of instructions to be performed, i.e., parameters not related to the final results.

- Incentives to increase costs per unit of work and services are constantly in effect, as officials, without having other opportunities to improve their lives, do not carry out internal rationalization, and periodically appeal with demands to increase maintenance costs.

The final results of the activity turn out to be secondary compared to compliance with self-monitoring financial discipline.

Such a system will sooner or later be on the brink of financial collapse. Budgetary allocations are constantly lacking, and the competitiveness of the public service in the labor market, along with its ability to withstand the ever-increasing complexity and scale of society's demands, begins to decline.

Foreseeing this situation, many countries with more prosperous and stricter budgetary discipline have adopted programs to transition to a results-based budgeting system. These include,

for example, countries with a traditional conservative system of public administration and budgeting - Germany (transition program from 2008) and France (implementation of the program from 2006).

As noted above, the introduction of a new approach to budget planning and execution is an integral part of the overall process of public administration reform. It should be accompanied, in particular, by the introduction of long-term budget planning and corresponding institutional changes. The result of all efforts should be the more effective distribution of budgetary resources by the state among the priorities of state policy and increasing the efficiency of their use.

Based on the foregoing, it should be noted that the transition to result-oriented budgeting is not only a change in the financial reporting mechanism, but also the introduction of the entire philosophy of public administration, new principles of activity assessment and control. The ROB model allows for increasing the efficiency of the effective distribution and use of financial resources, considering the activities of government bodies as a means of achieving strategic goals.

The experience of foreign countries shows that the transition to ROB is a long-term (decades-long) and complex process, requiring a comprehensive approach, including not only the financial system, but also the administrative, information exchange, and personnel system. For the republic, this process is even more relevant, as there are such problems as the complexity and inadequacy of the medium-term planning system in our country, the uncertainty of the boundaries of powers and responsibilities between government bodies at different levels, and the lack of clarity of functional tasks.

At the same time, the introduction of ROB will significantly increase the effectiveness of socio-economic development by increasing the openness and transparency of government activities, strengthening public control, and increasing the responsibility and dedication of civil servants.

For a successful transition to a result-oriented budgeting system, it is necessary to pay special attention to:

- implementation of a phased approach;
- improvement of the regulatory framework;
- changing the culture and training of personnel;
- development of information support infrastructure;
- Implementation of a medium-term financial planning system;
- Definition and consolidation of tasks and powers.

Conclusion

In conclusion, the transition to results-oriented budgeting is an important factor in the economic development of Uzbekistan and improving the efficiency of public administration, the success of which requires a phased, consistent, and comprehensive approach in the interaction of all committees.

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