

# Analysis and Efficiency Evaluation of Financing Socially Oriented Government Programs

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**Abstract-**The subject of this research is the socially oriented government programs of the Sverdlovsk region and the system of state financing for the social support of the population.

Result-oriented budgeting is a relatively new phenomenon in Russia. In the context of reducing the state financial resources, the budgeting process modernization, aimed at improving the efficiency of the resources use, will allow to solve a number of problems in financing many governmental tasks. First of all – those of a social nature.

The state made several attempts to find the most convenient mechanism for effective management of state budgetary resources. This process began in 1995 with the introduction of such tool as the Federal Target Program. In the course of reforming the budget process, this approach has been improved. The final result of the reform was the creation of a mechanism for government programs development and implementation, and also the introduction of digital and telecommunication technologies in budget planning. The government program allows to solve specific issues, tasks and multiscale problems. It helps in strategic planning at any level of management with its reference to the financial resources of the government authorities.

**The aim of the research:** to analyze the system of social support of citizens and consider the possibility of improving the system of financing socially oriented programs.

The research includes various methodological principles: a method of systemic and logical analysis, a causal and investigative analysis of regulatory legal acts, and relevant literature searches. These materials contain the theoretical, practical and methodological foundations for the development and implementation of government programs.

**Main results:** 1. The study of the program-target method of budget planning was conducted; 2. The implementation of socially oriented programs funded from the budget of the Sverdlovsk region was studied and analyzed; 3. The structure and dynamics of financing the state program "Social support of citizens and social services for the population of the Sverdlovsk region until 2020" was analyzed; 4. The problems uncovering in the process of developing and implementing the government program "Social support and social services for people of the Sverdlovsk Region by 2020" were identified, and directions for its improvement were proposed.

**Key findings of the research:** There are two main issues in structuring the social programs financing. 1. The problem of budget planning: the actually executed budget allocations were lower than planned for this program.

2. The problem of objective evaluation of the target indicators calculation. In this case, the subjective factor plays an important role, that is, the target indicators are determined and set subjectively, using the research method of the executor.

**Keywords-***Program-Target planning, financing of government targeted programs*

## I. INTRODUCTION. GOAL SETTING AND UPDATING

The system of social support for citizens is a combination of legal, economic, organizational and other measures guaranteed by the state to certain categories of support recipients; social support measures and conditions for their provision are determined by federal and regional legislation.

Today the legislative and financial bases have been formed; organizational structures that are authorized to provide measures of social support to certain categories of citizens have been created.

The relevance of the research is determined by the actual development of the system of social evolution of the population in the Russian Federation, in particular, by the implementation of the program-targeted budget planning method, which is used to finance specific government programs for social and economic development. It also allows identifying sourcing for program implementation and determining the effectiveness of these programs.

The very idea of the program-target method is to focus not only on the budget possibilities, but also on the opportunity of using them most effectively with the aim of obtaining specific results. The program-target method involves the development of a plan, starting with an assessment of final needs. It is based not only on the provision of resources, but as well on the goals of

economic development and the further search and identification of effective ways and means to achieve them.

## II. THEORY AND METHODS

Budget policy of any government should combine a focus on the result and the possibility of assessing the effectiveness of the goals (Indicators assessment). This is why it is necessary to create a system of specific measures and goals, as well as to determine the responsible executors. The specific character of such budget spending will have a progressive trend. That means, financial resources (if used correctly) spent on the maintenance of public policy spheres will bring tangible returns, and provide solutions to specific problems, tasks, and the achievement of certain indicators. In this case, of course, the development of a nationwide socio-economic sphere is possible.

Over the past 10 years, the US federal government has introduced comprehensive multi-level government programs of revolving credit funds. They worked as a tool to encourage state and local investments in national infrastructure priorities, while limiting direct federal participation in their implementation. The Program of State Renewable Fund (SRF), financed from the state budget, combines the categorical features of a grant to the States and a subsidized credit program for municipalities, which should reduce the effective price of infrastructure investments and, consequently, contribute to higher levels of investment [16].

In 2014, the Federal Law No. 172-FZ “On Strategic Planning” came into force in Russia. The essence of this law is the implementation of government programs in the process of forecasting and developing the socio-economic situation of the state. [1, p.11].

Federal executive authorities of the Russian Federation are working out government programs in accordance with the concept of long-term socio-economic development of the Russian Federation for the period up to 2020.

For proper effectiveness of government programs, the following tasks are required: [2, p. 31]:

- 1) optimization of budget expenses directions in order to promote the socio-economic development of the state (development of infrastructure projects, education and science projects, etc.);
- 2) improving the quality of financial and economic rationale for decisions that may lead to increased costs or the occurrence of new expenditure commitments;
- 3) organization of control in order to improve the efficiency and feasibility of regular budget expenses, as well as assessing the compliance of the amount of spent funds with the obtained results.
- 4) increasing the transparency of budget policy for the society.
- 5) increasing the quality of government and municipal services for citizens;

6) stimulating the subjects and municipalities of the Russian Federation to increase the economic viability of budgets, etc.

Normally the structure of the government program is as follows[4, p. 38]:

- 1) problem statement and providing evidence that the program methods will help to solve it;
- 2) goals and objectives, terms and implementation phases of the program;
- 3) set of program events: technical, economic, procedural, research, etc .;
- 4) amount and sources of financing, resources’ provision of the events, implementation mechanism;
- 5) implementation and process control; determining the efficiency of the programmed consequences and results; passport.

At this stage it is possible to finance government programs from two sources - budgetary and extra-budgetary funds.

### **Budgetary Financing**

Socially oriented program financing comes out of the state budget, or the budgets of the subjects of the Federation and the municipalities.

Funds from the federal budget are allocated to federal and regional programs for the development of education, health care, social policy, etc., for the payment of pensions to military personnel and for other events for the social protection of the population. The principal amount of budget funds for social protection goes through regional and local budgets. They are used for the construction and maintenance of residential homes for the elderly and disabled, providing disabled people with wheel chairs and prostheses, for their training and employment, for providing sanatorium-resort assistance, for social assistance to the needy, large families, single mothers, etc.

Such distribution of funds for social spending burdens the federal budget with financial obligations. A significant part of budgetary financing is carried out not directly, but through state extra-budgetary funds - the Pension Capital Fund and the Social Insurance Fund. Funds from the federal budget are transferred to extra-budgetary funds to fulfill a number of social obligations.

The Ministry of Economy evaluates the effectiveness of the government programs implementation at the end of each fiscal year; it is carried out in two aspects: the assessment of funding completeness and the assessment of the achievement of target indicators.

## III. CASE STUDIES

In 2015-2017, the Sverdlovsk Region Budget was formed on a program-type basis. Each year, the government decree approved about 30 programs.

In the context of the five sections of the social sphere, five relevant government programs were developed and implemented.

TABLE 1 – AMOUNTS OF FINANCING OF SOCIALLY ORIENTED GOVERNMENT PROGRAMS OF THE SVERDLOVSK REGION IN 2015-2017, MILLION RUBLES [5-11]

Government Program Title	2015		2016		2017	
	Approved	Expended	Approved	Expended	Approved	Expended
“Education System Development by 2020”	41877,6	41 093	42596,7	48788,9	52308,8	51413,5
“Health Services Development by 2020”	40328	40159,9	45378	41106,2	43190,9	41034,5
“Cultural Services Development by 2020”	2826,6	2 824,5	2259,4	2540,1	2335,4	3544,8
“Social support and attendance for citizens by 2020”	37495,2	34259,2	39583,9	36990,7	39580,3	39656,2
“Physical culture, sports and youth policy development by 2020 ”	3270,2	3269,6	3569,7	3070,5	2887,7	2717,2

There are two financial approaches to each section in social sphere - program and non-program. Mainly, more than 97% of financing is provided in a program format.

is focused mainly on the formation of a reserve fund of the Government of the Sverdlovsk region, as well as on subsidies to budget institutions.

It should be clarified that the program financing implies a format of government programs. The non-program direction of financing, which share ranges from 1% to 3%,

During 2015-2017, the approved and executed volumes of financing of some socially oriented government programs were different.

TABLE 2 – THE STRUCTURE OF THE EXECUTED BUDGET EXPENSES OF THE SVERDLOVSK REGION ON THE SOCIAL SPHERE IN THE PERIOD 2015-2017; IN TERMS OF PROGRAM AND NON-PROGRAM AREAS OF FUNDING.

Indicator	2015		2016		2017	
	Program Financing	Non-program financing	Program Financing	Non-program financing	Program Financing	Non-program financing
Social Sphere including:	99,57%	0,43%	99,09%	0,91%	97,90%	0,11%
Education	99,65%	0,35%	99,66%	0,34%	99,87%	0,13%
Culture	97,11%	2,89%	97,01%	2,99%	98,20%	0,68%
Health Services	99,98%	0,02%	99,40%	0,60%	99,95%	0,05%
Social Policy	99,29%	0,71%	98,25%	1,75%	99,95%	0,05%
Physical culture and Sports	98,70%	1,30%	97,60%	2,40%	99,26%	0,74%

TABLE 3 – ANALYSIS OF EXECUTION OF THE AMOUNTS OF FINANCING OF SOCIALLY ORIENTED GOVERNMENT PROGRAMS IN THE SVERDLOVSK REGION IN 2015-2017. [5-11].

Government Program Title	2015	2016	2017
“Education System Development by 2020”	98,13%	114,54%	98,29%
“Health Services Development by 2020”	99,58%	90,59%	95,01%
“Cultural Services Development by 2020”	99,93%	112,42%	151,78%
“Social support and social services for people by 2020”	91,37%	93,45%	100,19%
“Physical culture, sports and youth policy development by 2020 ”	99,98%	86,02%	94,09%

TABLE 4 – THE DYNAMICS OF CHANGES IN THE EXECUTED AMOUNTS OF FINANCING OF SOCIALLY ORIENTED GOVERNMENT PROGRAMS IN THE SVERDLOVSK REGION IN 2015-2017. [5-11]

Government Program Title	Executed Financial Funds, million rubles			Relative variation, %	
	2015	2016	2017	2016-2015	2017-2016
“Education System Development by 2020”	41093	48788,9	51413,5	118,7%	105,4%
“Health Services Development by 2020”	40159,9	41106,2	41034,5	102,4%	99,8%
“Cultural Services Development by 2020”	2824,5	2540,1	3544,8	89,9%	139,6%
“Social support and social services for people 2020”	34259,2	36990,7	39656,2	108,0%	107,2%
“Physical culture, Sports and youth policy development by 2020 ”	3269,6	3070,5	2717,2	93,9%	88,5%

As a rule, the main reason for the non-fulfillment or the over-fulfillment of the amounts of funding of government programs is the annual variation in the number of citizens who require social support.

The basic factors of increasing or decreasing of the amount of financing within the studied government programs (hereinafter - GP) in the Sverdlovsk region in 2015-2017 are:

- variation in the demographic situation in the region or a smaller number of citizens, who applied for social support measures, compared with the planned indicators
- change of the inflation rate;
- indexation of the benefits, paid from the regional budget.

Main priorities of the state are in favor of the development of education, health and social policy. Average amounts of government programs funding did not change during the analyzed period. However, the financing

of the GP "Development of the education system in the Sverdlovsk region until 2020" has increased. This was possibly due to the increase in the financial support for state guarantees of the realization of the rights to receive public and free education in municipal education organizations in 2016, as well as the financial support for the additional education for children in general education organizations.

One of the priority government programs of the Sverdlovsk Region is GP "Social support and social services for people of the Sverdlovsk Region by 2020".

The main purpose of this GP is to create conditions for increasing the efficiency of social support and protection of the Sverdlovsk Region's population. Social support of the population is not the only objective of the program; the list of the objectives includes also the expansion of forms of participation for non-profit organizations, which could provide social services and the implementation of social projects. The main indicators are formulated for various categories that receive social support measures.

TABLE 5 – ANALYSIS OF THE AMOUNTS OF FINANCIAL EXPENSES OF THE GP "SOCIAL SUPPORT AND SOCIAL SERVICES FOR PEOPLE OF THE SVERDLOVSK REGION BY 2020" IN 2014-2017, MLN RUBLES [5-11].

Indicator	2014		2015		2016		2017	
	Approved	Expended	Approved	Expended	Approved	Expended	Approved	Expended
Financial amounts	34069,4	31477,1	35869,8	34259,2	37935,4	36990,7	39849,7	39656,2
Executed percentage	92,39%		95,51%		97,51%		99,51%	

During 2014-2017, there was an excess of the planned amounts of financing over the actual ones. The dynamics shows that the situation was improving every year: the approved indicators were as close as possible to the executed ones.

The main factor of deviations was the financing

mechanism in accordance with the prediction of the number of citizens applying for social support. For example, benefits for citizens who have applied for material assistance must be completely compensated in due time. Therefore, in order to avoid the lack of funds in the execution of the government program, it is advisable to predict an approximate amount.

TABLE 6 – ANALYSIS OF THE DYNAMICS OF EXPENDED AMOUNTS OF FINANCING WITHIN THE GOVERNMENT PROGRAM "SOCIAL SUPPORT AND SOCIAL SERVICES FOR PEOPLE OF THE SVERDLOVSK REGION BY 2020" IN 2014-2017. [6,8,10,11]

Government Program Title	Executed Financial Funds, million rubles				Relative variation, %		
	2014	2015	2016	2017	2015-2014	2016-2015	2017-2016
Social support and social services for people by 2020	31477,1	34259,2	36990,7	39656,2	108,84	107,97	107,21

The objective factors of relative changes in the dynamics of the amounts of financing are the necessity to index the payments in connection with the inflation, as well as the execution of instructions and decrees of the President of the Russian Federation (including the decrees in May 2017).

#### IV. RESULTS

Thus, government programs at the regional level are mainly related to the social sphere. Annually since 2016, more than 60% of all expenses of the region have been

spent on the social sphere in five sections - education, health services, social policy, culture, physical culture and sports. About 30 government programs are implemented in the Sverdlovsk region, which constitute more than 90% of all social expenses. Thus, the local budget of the Sverdlovsk region has a clearly prevailing program-based character.

Let us study the indicators Q1 and Q2, with the help of which it is possible to reveal the completeness of financial funds and carry out the assessment of the achievement of the target indicators of the program (Table 7).

**TABLE 7 – ASSESSMENT OF EFFICIENCY OF FINANCING AND IMPLEMENTATION OF THE GOVERNMENT PROGRAM “SOCIAL SUPPORT AND SOCIAL SERVICES FOR PEOPLE OF THE SVERDLOVSK REGION BY 2020” DURING 2014-2017. [14, 15]**

Indicator	2014		2015		2016		2017		Assessment of completeness of financing, million rub
	Approved	Expended	Approved	Expended	Approved	Expended	Approved	Expended	
Amounts of Financing	34069,4	31 477,1	37 495,2	34 259,2	39 583,9	36 990,7	39 849,7	39 656,2	
Q1	0,92		0,91		0,93		1,00		
The average values of the target indicators GP	130,72	116,31	128,85	120,31	103,46	101,44	1,01	0,95	Assessment of the achievement of target indicators, %
Q2	123,51		124,58		102,45		0,98		

**TABLE 8 – COMPREHENSIVE EFFICIENCY ASSESSMENT OF THE GOVERNMENT PROGRAM “SOCIAL SUPPORT AND SOCIAL SERVICES FOR PEOPLE OF THE SVERDLOVSK REGION BY 2020” DURING 2014-2017. [14, 15]**

12	Indicator	Indicator Value	Linguistic assessment	Assessment of GP efficiency
2014	Q1	0,92	Partial financing	Assessment – 3. Average level of GP efficiency
	Q2	1,23	Average effectiveness (plan over-fulfilment)	
2015	Q1	0,91	Partial financing	Assessment – 3. Average level of GP efficiency
	Q2	1,24	Average effectiveness (plan over--fulfilment)	
2016	Q1	0,93	Partial financing	Assessment – 4. Acceptable level of GP efficiency
	Q2	1,02	High effectiveness	
2017	Q1	1	Full Funding	Assessment – 5. High level of GP efficiency
	Q2	0,98	High effectiveness	

As a result, among the 50 target indicators, the values were fully executed in 43. Moreover, in 22 indicators the planned values were exceeded (44%). Further, it is advisable to make a comprehensive assessment of the effectiveness of the studied program in the period 2014-2017. The results are shown in table 8.

As one can see, the program did not become efficient immediately. During the evaluation of the program effectiveness, several decisions were made to improve it. In order to achieve the best result, the target indicators' structure was adjusted (enlargement of the planned values), as well the reduction of financing and transferring funds to the next periods or to other government programs was carried out.

Thus, GP “Social support and social services for people

of the Sverdlovsk Region by 2020” became efficient only in 2017, since the funding for this program is assessed as complete, and the efficiency on the achieved target indicators as high, due to the small over-fulfilment of the plan.

## V. CONCLUSIONS AND QUESTIONS FOR DISCUSSION

From the study we can draw the following conclusions. When implementing the studied government program, the following problems arise:

### A. *The Problem of Budget Allocations.*

This problem is the most urgent, since the scale of achievement of certain results under the execution of the government program is based on the financial possibilities.

Therefore, financial planning should be as accurate and complete as possible.

On the one hand, the actually executed budget allocations for this program were lower than planned, so one can observe the resulting budget savings, which, in fact, is favorable and beneficial for regional authorities. However, on the other hand, the financial resources of this government program, which were not used last year, could be used to support other government programs of the Sverdlovsk region to achieve more significant results in other important areas of the regional socio-economic policy.

#### *B. The Problem of Objective Calculation in the Assessment of the Target Indicators.*

According to the fact that the government program is developed by the responsible executor (by the ministry and /or department), target indicators are determined and set subjectively, according to the executor's methodology. Of course, the legislation provides further coordination of the program with the Ministry of Economy of the Sverdlovsk Region for a more adequate assessment of the declared indexes. However, the practice of implementation shows that many indicators of government programs have a significant deviation from the intended result. It is important to consider that the indexes of some indicators can be achieved in a natural way, due to changes in the demographic or political situation.

In this state program there is a significant over-fulfilment of planned values, which is ineffective, according to the method. On the one hand, it represents social and economic development and progress, which is what the government programs are focused on. But, on the other hand, this means the unreliability of the planned target indicators, which may be based on the lack of objectivity of the responsible executor, who set the planned values. The essence of the problem lies in the fact that as a result of inaccurate and biased planning, there is a possibility that the entire potential of the region aimed at improving social policy cannot be executed.

Based on the identified problems, it is advisable to formulate recommendations for improving this government program.

The identified issues require improving the process of developing a government program, since it is this very stage that ultimately has a direct impact on the financial support and implementation of the program.

1) Speaking about the first problem, it is necessary to note the peculiarities of the methodology for assessing the completeness of government programs financing, according to which the budget savings are not a sign of effective planning. It is undoubted, because, as we have already noted, the planned resources could be used in the implementation of other state privileges. Therefore, it is necessary to improve the process of calculating the financial support for the implementation of the program. In

this aspect, it is important to objectively link the goals achievement with the amount of funding, which is a key condition for the effectiveness of each government program.

2) The most common problem in the functioning of GP at the regional level is the problem of objective assessment of the target indicators calculation. However, for assessing the values of the set targets and objectives, the advantage of the implementation of government programs is the availability of a deeper and more qualitative methodology. Also in the process of approving the government program, the Ministry of Economic Development of the Russian Federation conducts a comprehensive expert assessment of all declared values. In the process of approval of government programs, expert assessment is not provided at the regional level. The Ministry of Economics of the Sverdlovsk Region carries out only the assessment of the compliance of the planned target indicators with the regional strategic documents. Therefore, it is necessary to additionally implement the initial assessment of the methodology for calculating the target indicators of the program in the process of developing the government program. Thus, at the initial stage, the established planned values will be considered from the point of view of objectivity and attainability, which will allow to avoid significant over-fulfilment of indicators, and its further negative impact on the implementation process.

## VI. CONCLUSIONS

According to the results of the study, the authors came to the following conclusion. The largest amounts of state expenditures - more than 90% - are allocated for programs. The government program is a strategic tool that implements a mechanism for managing state finances, both at the federal and regional levels of the budget system, which is aimed at the socio-economic development of the Russian Federation. Thus, today the government program mechanism has a leading role in the implementation of the state financial policy, combining all possible financial levers and instruments for managing the country's budget expenditures.

Thus, government programs are viewed as the instruments for the strategic management of financial resources at the federal and regional levels of the budget system. The process of socio-economic development of the Russian Federation is carried out due to the connection of the allocated financial funds and the specific expected results of the executive authority's activities, providing the validity and transparency of public spending.

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