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## Availability of Budget Investments for Regions under the Program-Targeted Approach to Budget Formation (On the Example of Municipalities of the Arkhangelsk Oblast)

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**Abstract.** The article is devoted to the study of the availability of investment funds for the regions of investment funds of state development programs in the context of the program-targeted approach to budget formation. The use of program-targeted budgeting methods undoubtedly opens up extensive opportunities for optimizing the public finance management system, but the management tools and implementation mechanism at the regional level have not yet been sufficiently developed, which reduces the effectiveness of their application. The paper evaluates the uniformity of distribution of funds of the Targeted Investment Program of the Arkhangelsk Oblast for the period 2017–2021 between four districts that are similar in their parameters, as well as the distribution of budget investments within the framework of inter-budget transfers to local budgets of the Arkhangelsk Oblast for the period 2021–2023. The process and principles of a program-targeted approach to strategic planning and management of the public finance system as the main tool for improving the efficiency of budget expenditures are considered. The methods used in the study include analyzing the dynamics and structure of budget investment distribution, drawing conclusions on the basis of the obtained data about the uniformity of funds distribution and investment accessibility for the regions. This article can be useful for assessing the availability of budget investments when using the program-targeted approach to budget planning, as well as for developing an effective mechanism for implementing program-targeted budgeting approaches in the budget process at the local and regional levels.

**Keywords:** *program-target planning, budgeting, budget investments, state program, socio-economic development, region*

### Introduction

Reforming the public finance management system, studying the best international practices and improving the budget process on their basis at all levels of government is one of the most important directions of increasing the efficiency of budget funds use [1]. Budget investments form the basis for the development of infrastructure, business, and the social sphere. Many regional investment projects can be implemented only with the use of federal funds, which provides a significant impetus for the revitalization of socio-economic processes and the development of the territories [2]. The opportunity for such development should be available to all regions of Russia, not only to large cities.

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In this regard, the budget process should be managed in such a way as to ensure the availability of budget resources for the development of all regions and territories [3].

The scientific novelty is in the fact that in the course of the analysis of the uniformity of the distribution of investment funds of the Arkhangelsk Oblast budget between the budgets of municipalities within the framework of the research, the conclusion about the unevenness of such distribution was made. At present, there is no effective mechanism for distributing investments from the regional budget between the budgets of municipalities; the funds are distributed between competing projects within the entire region. This approach reduces the accessibility of budget investments for regions that initially have insufficient resource and financial potential, and deprives these territories of the opportunity to use budget resources for socio-economic development and capacity building. To resolve this contradiction, the authors proposed a mechanism for distributing regional budget investments between municipalities based on the distribution coefficient, taking into account the objective physical characteristics of the territories. The distribution of investment resources between competing investment projects on the basis of program-target efficiency indicators should be carried out within each municipality.

The goal was achieved by means of data collection, systematization and analysis, as well as by drawing conclusions on the basis of the obtained results about the real possibilities of using budgetary funds by the Oblast districts for investment development of their territories.

### ***Reforming the state financial management system***

As a result of the reform of the state financial management system in the early 2000s, carried out with the aim of increasing the efficiency of spending budget funds, a systematic restructuring of the budget formation process at all levels was implemented on the basis of the principles of program-targeted budgeting. In accordance with the amendments made to the Budget Code of the Russian Federation, the basis for the formation of budgets for the upcoming and planned financial periods are municipal and state programs, and the Federal Law "On strategic planning in the Russian Federation" No. 172-FZ dated June 28, 2014 defined such programs as the main tool for connecting budget and strategic planning [4]. The transition to the existing system of formation and implementation of state programs began in 2010; the Astrakhan and Sverdlovsk oblasts became pilot subjects for their implementation. The following year, a similar practice was implemented in another fifteen regions, and a year later about twenty additional entities joined them. Thus, by 2015, almost all regions of our country switched to the program-targeted method of budget formation [5].

The typification of state programs of the Russian Federation was fixed by the Decree of the Government of May 26, 2021 No. 786 "On the management system of state programs of the Russian Federation" (with amendments and additions) and is presented in Fig. 1.

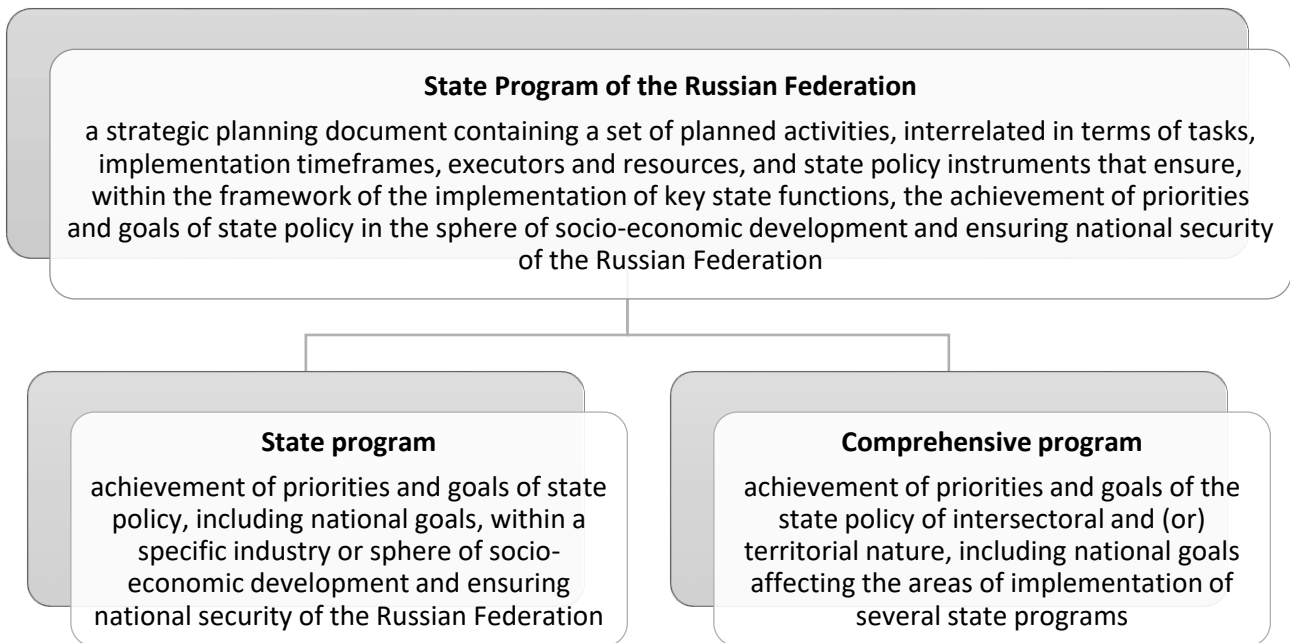


Fig. 1. Types of state programs of the Russian Federation <sup>1</sup>.

The program-target method of budgeting is based on the need to establish the relationship between the allocated budgetary resources and the achieved results of their use [6], and these results (unlike the item-by-item method of budgeting) are planned for several years ahead, not only for the upcoming financial period, i.e. the principles of prospective budgeting are implemented. With this approach, requests for the reservation of budget funds take into account both the required results and the results actually obtained in previous periods, which should lead to more efficient use of budgetary funds. According to Decree No. 786, the development and implementation of state programs should be carried out in accordance with the outlined basic principles (Fig. 2).



Fig. 2. List of principles for the development and implementation of state programs of the Russian Federation <sup>2</sup>.

<sup>1</sup> Source: Postanovlenie Pravitel'stva RF ot 26 maya 2021 g. № 786 «O sisteme upravleniya gosudarstvennymi programmami Rossiyskoy Federatsii» [Decree of the Government of the Russian Federation of May 26, 2021 No. 786 "On the management system of state programs of the Russian Federation"].

The development of state federal and regional development programs, which form the basis for the formation of the corresponding budgets, is based on the goals and forecasts of the socio-economic development of the region and the country [7]. This approach is designed to increase the transparency of the budget process, to link the results of budget execution with the set goals and costs and thus to rationalize the use of budget funds, as well as to increase the responsibility of performers and relevant executive authorities for the results of planning and execution of budgets at all levels. The starting point of budget development is the definition of the results to be achieved, and only then the amount of funding required to obtain these results is planned [8]. In general, the planning process based on program-targeted methods is presented in Fig. 3. An assessment of the achieved results of the program, their comparison with the planned target indicators is carried out both during the implementation process in the form of annual monitoring, and at the end of this implementation.

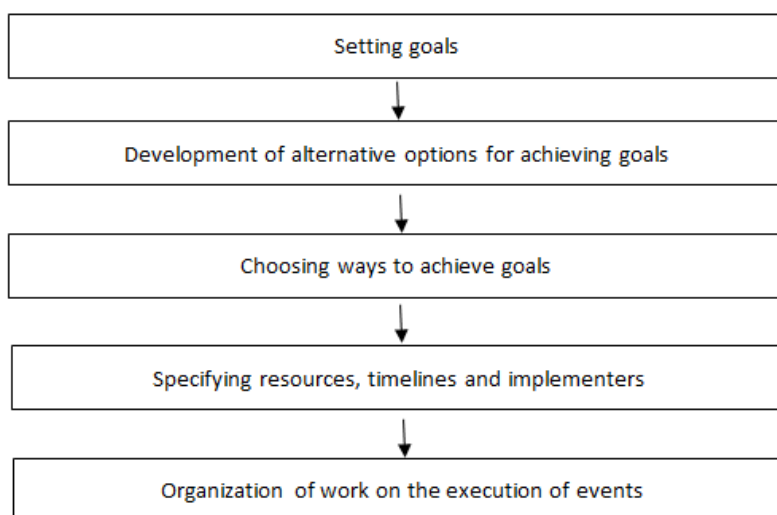


Fig. 3. The process of program-target planning<sup>3</sup>.

Subsequently, the use of an approach to planning the state budget of all levels on the basis of state programs was enshrined in the Concept of improving the efficiency of budget expenditures<sup>4</sup>, and today the program-targeted approach to budgeting is designated as the leading direction for increasing the efficiency of budget expenditures. However, this approach has certain disadvantages [9].

### ***Analysis of budget allocation at the regional level***

In the course of this study, the uniformity of budgetary funds distribution between municipalities of the Arkhangelsk Oblast was analyzed in order to assess the degree of accessibility of budget resources for the subjects of one region.

<sup>2</sup> Source: Postanovlenie Pravitel'stva RF ot 26 maya 2021 g. № 786 «O sisteme upravleniya gosudarstvennymi programmami Rossiyskoy Federatsii» [Decree of the Government of the Russian Federation of May 26, 2021 No. 786 "On the management system of state programs of the Russian Federation"].

<sup>3</sup> Source: Compiled by the authors based on [1, 3, 4].

<sup>4</sup> The concept of increasing the efficiency of budget expenditures in 2019–2024 was approved by Decree of the Government of the Russian Federation dated January 31, 2019 No. 117-r.

The comparative analysis of the distribution of funds of the Targeted investment program of the Arkhangelsk Oblast for the period of 2017–2021<sup>5</sup> between four districts that are close to each other (Ustyanskiy, Velskiy, Primorskiy and Onega) showed the unevenness of this distribution, the data are presented in Fig. 4. At the same time, in absolute terms, for the entire analyzed period, the maximum amount of funding falls on the Primorskiy district, the Ustyanskiy district — in the second place with a slight lag. The volumes of funding for the other two districts (Velskiy and Onega) are approximately equal and are almost twice less. The structure of financing of the analyzed districts for the period 2017–2021 is shown in Fig. 5.

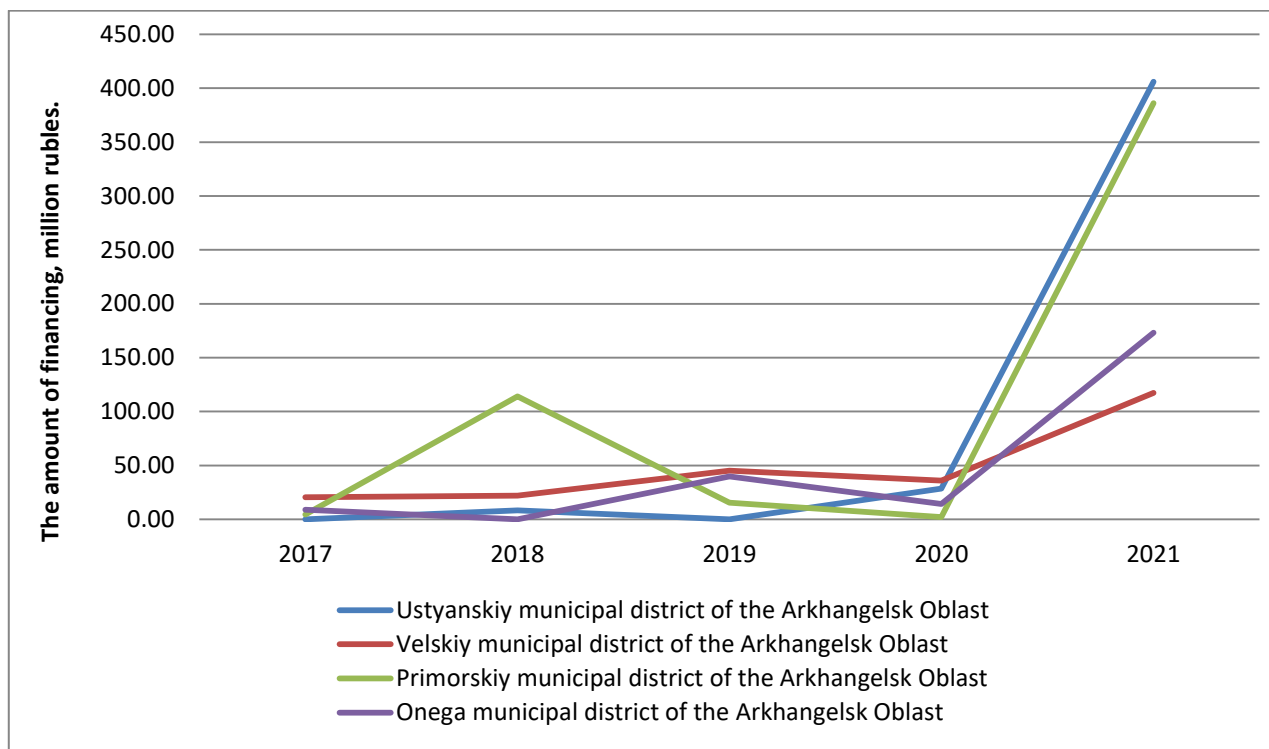


Fig. 4. Amounts of financing of the analyzed districts within the framework of the Targeted investment program of the Arkhangelsk Oblast for the period 2017–2021<sup>6</sup>.

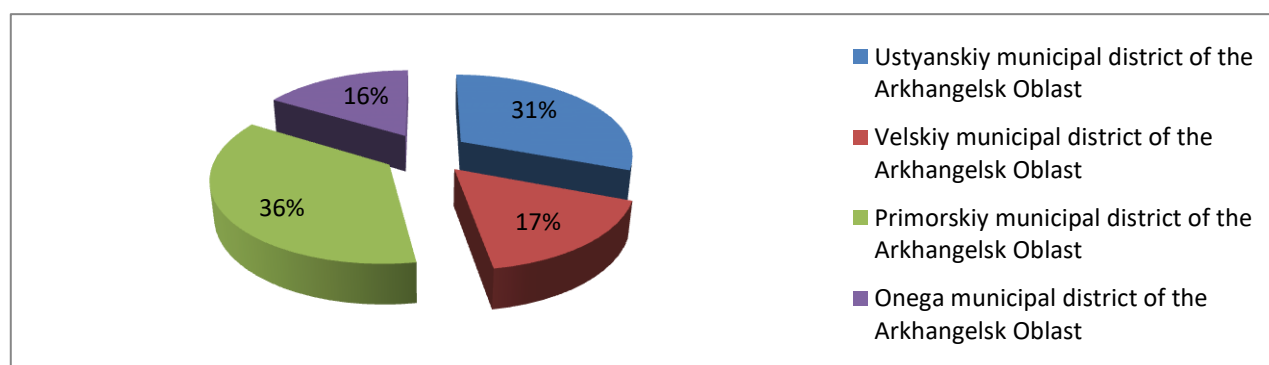


Fig. 5. Structure of financing of the analyzed districts within the framework of the Targeted investment program of the Arkhangelsk Oblast for the period 2017–2021<sup>7</sup>.

<sup>5</sup>Official website of the government of the Arkhangelsk Oblast. URL: <https://dvinland.ru/budget/zakon/> (accessed 01 December 2022).

<sup>6</sup>Source: Compiled by the authors.

<sup>7</sup>Source: Compiled by the authors.

If in the Primorskiy district such a priority could be explained by its larger area, then this criterion does not explain the situation in the Ustyanskiy district, since its area is comparable to the Velskiy district and twice as small as the Onega district. Table 1 shows the specific indicators of financing per unit area and per capita in the context of the analyzed regions. The Ustyanskiy municipal district is the leader in terms of specific financing per unit area (8.26 thousand rubles/km<sup>2</sup> on average per year), Onega district is in last place (1.99 thousand rubles/km<sup>2</sup> on average per year), with a 4-fold difference in this indicator.

Population size as a criterion also does not explain the uneven distribution of funds. The Velskiy municipal district is the most populous, while the other municipal districts are approximately comparable. The Primorskiy district is the leader in terms of per capita financing (4.13 thousand rubles per person on average per year), followed by the Ustyanskiy municipal district (3.39 thousand rubles per person per year), Onega and Velskiy districts lag behind in this indicator by almost three times (1.6 thousand rubles/person and 0.99 thousand rubles/person, respectively).

*Table 1*  
*Ratio of total funding for the period 2017–2021 to the area of the municipal district and the population*

Municipalities of the Arkhangelsk Oblast	Average annual funding for the period 2017/2021 per 1 km <sup>2</sup>		Average annual funding per person for the period 2017/2021	
	Value, thousand rubles/km <sup>2</sup>	Specific weight, %	Value, thousand rubles/person <sup>8</sup>	Specific weight, %
Ustyanskiy municipal district	8.26	47.74%	3.39	33.54%
Velskiy municipal district	4.79	27.68%	0.99	9.77%
Primorskiy municipal district	2.26	13.08%	4.13	40.85%
Onega municipal district	1.99	11.51%	1.60	15.83%
Total	17.31	100.00%	10.11	100.00%

Thus, based on this analysis, we can conclude that the distribution of funding between municipal districts is uneven, and this distribution does not take into account the objective physical characteristics of municipalities, such as area and population.

Additionally, if we consider the distribution of budget investments within the framework of interbudgetary transfers between municipalities of the Arkhangelsk Oblast for the period 2021–2023<sup>9</sup> (Table 2), it is clear that the distribution is also uneven: in particular, out of the four regions analyzed, budget investments are not planned at all for the Onega municipal district for the specified period.

<sup>8</sup> Source: Compiled by the authors.

<sup>9</sup> Official website of the government of the Arkhangelsk Oblast. URL: <https://dvinland.ru/budget/zakon/> (accessed 01 December 2022).

*Table 2*  
*Distribution of budget investments within the framework of interbudgetary transfers to local budgets of the Arkhangelsk Oblast for the period 2021–2023, million rubles*

Name of territory	2021	2022	2023	Total 2021–2023	
				Value, million rubles <sup>10</sup>	Specific weight, %
Arkhangelsk	463.56	50.76	1.04	515.36	11.37%
Novodvinsk	0.00	0.00	0.00	0.00	0.00%
Severodvinsk	531.58	519.28	446.66	1 497.52	33.03%
Velskiy district	23.72	0.84	0.00	24.56	0.54%
Konosha district	0.00	0.00	0.00	0.00	0.00%
Vilegodskiy district	177.85	22.47	0.00	200.32	4.42%
Primorskiy district	83.56	198.87	108.05	390.48	8.61%
Kargopol district	29.77	0.00	0.00	29.77	0.66%
Plesetsk district	0.00	0.00	0.00	0.00	0.00%
Kotlas district	2.31	0.00	0.00	2.31	0.05%
Lenskiy district	0.00	0.00	0.00	0.00	0.00%
Kholmogory district	41.18	0.00	0.00	41.18	0.91%
Nyandoma district	255.53	2.04	0.00	257.57	5.68%
Onega district	0.00	0.00	0.00	0.00	0.00%
Pinezhskiy district	0.00	0.00	0.00	0.00	0.00%
Shenkurskiy district	79.85	0.00	0.00	79.85	1.76%
Verkhnetoyemskiy district	0.00	0.00	0.00	0.00	0.00%
Ustyanskiy district	305.42	222.22	0.00	527.64	11.64%
Krasnoborskiy district	51.58	109.15	0.00	160.73	3.55%
Mezenskiy district	39.01	0.00	0.00	39.01	0.86%
Leshukonskiy district	0.00	0.00	0.00	0.00	0.00%
Kotlas	85.18	11.29	0.00	96.47	2.13%
Vinogradovskiy district	0.00	0.00	0.00	0.00	0.00%
Koryazhma	0.00	0.00	0.00	0.00	0.00%
Mirnyy	670.77	0.00	0.00	670.77	14.80%
Novaya Zemlya	0.00	0.00	0.00	0.00	0.00%
Not distributed across MD	0.00	0.00	0.00	0.00	0.00%
Total	2 840.87	1 136.92	555.75	4 533.54	100.00%

### *Availability of budget investments for regions*

At the same time, the drafting of the regional budget for the forecast period should be based on the provisions of the message of the President of the Russian Federation to the Federal Assembly (determining the country’s budget policy), as well as on the provisions of the annual message of the Governor of the region on the socio-economic and socio-political situation in the Arkhangelsk Oblast (determining its budget and tax policy).

In his message to the Federal Assembly dated April 21, 2021, the President noted that the development of the country is impossible without the development of its regions, each of which has its own significant unique potential, the use and increase of which should be encouraged. Such instruments as restructuring of regional debts, as well as a fundamentally new instrument — infra-

<sup>10</sup> Source: Compiled by the authors.

structure budget loans at a rate of no more than 3% per annum and a repayment period of 15 years (by the end of 2023, it was planned to allocate about 500 billion rubles for these purposes) were offered to support the constituent entities of the Federation. It is also planned to allocate federal resources to solve particularly acute systemic problems that have a complex effect on the recovery of territories and improving the quality of life of people.

These tools, according to the President, should make it possible to expand the planning horizon, launch new solutions related to the implementation of national projects, industry strategies, and a comprehensive plan for modernizing the main infrastructure. However, they are provided only for specific projects that have undergone detailed examination at the federal level. As practice shows, not all regions have equal opportunities to fulfill such conditions, which means that they initially cannot compete with large centers for the availability of federal resources for their development.

The support measures provided are “a powerful resource, but the extent to which it will work for development and attracting private investment largely depends on how regional management teams act, on their openness to an honest dialogue with business and investors, and, of course, first and foremost, with citizens. Regional infrastructure projects should be implemented primarily in the interests of people, serving as investments in creating new jobs, in increasing the well-being of millions of Russian families, and in the future of our children. The priorities will be highways, city bypasses, renewal of housing and communal services and public transport systems, integrated development of territories and the creation of tourism industry facilities”<sup>11</sup>.

Thus, in accordance with the investment policy of the federal center, the distribution of budget investments between their recipients in the regions is carried out between the proposed infrastructure projects in terms of their effectiveness for the development of the entrusted territory on the basis of priorities allocated by the President of the Russian Federation, while there is no system of distribution of regional budget investments between individual municipalities of the region. Consequently, in order to receive federal investments, the heads of municipalities should actively initiate, encourage, and create conditions for initiatives and develop such projects. This program-project principle is the basis for the distribution of federal budget investments. At the same time, neither objective characteristics, nor needs, nor different starting opportunities of the regions are taken into account.

It is debatable whether such an approach is fair for the territories that have inherently insufficient resource and financial potential, as well as low investment attractiveness due to, for example, underdeveloped infrastructure or transport accessibility. In this case, the region will need a stronger management team, capable of more rational use of available resources, planning and setting priorities, while in the case of low attractiveness of the region, staffing problems will be more acute. A longer period of time will be required to achieve the intended results. In practice, this

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<sup>11</sup> Official website of the Administration of the President of Russia. URL: <http://www.kremlin.ru/acts/bank/46794/page/1> (accessed 10 December 2022).



leads to the fact that the unique and promising potential of small towns and cities remains unutilized due to a lack of start-up resources. In order to eliminate this contradiction, it is necessary to develop and implement a mechanism for distributing investments from the oblast budget between regional budgets on the basis of their objective physical indicators. It is proposed to use the shares of the area and population of the municipality in the general indicators of the region, on the basis of which the investment distribution coefficient will be calculated:

$$K_{\text{распр}i} = (\text{УП}_i + \text{УН}_i)/2$$

$$И_i = K_{\text{распр}i} * И_{\text{об}}$$

where  $K_{\text{распр}i}$  — coefficient of distribution of investments between the municipalities of the region;

$\text{УП}_i$  — specific weight of the area of the  $i$ -th municipality in the total area of the region;

$\text{УН}_i$  — specific weight of the population of the  $i$ -th municipality in the total population of the region;

$И_i$  — amount of investments of the  $i$ -th municipal entity for the planned period;

$И_{\text{об}}$  — total amount of investments of the region for the planned period.

Further distribution of investment resources within each municipality should be made between specific investment projects based on program-targeted efficiency indicators for a particular territory.

In his Address to the Federal Assembly dated March 1, 2018, the President of the Russian Federation stated the following: “It is important that the development of cities becomes a driving force for the entire country... Large cities should spread their energy, serve as a support for a balanced, harmonious spatial development of all of Russia. For this purpose, modern infrastructure is extremely necessary... developed communications will allow residents of small towns and villages to conveniently use all the opportunities and modern services that are available in large centers, and small settlements themselves will be closely integrated into the general social and economic space of Russia. At the same time, we will also support initiatives that will allow our small towns and settlements to preserve their identity and reveal their unique potential in a new way”<sup>12</sup>. On the basis of this statement, we can conclude that the socio-economic development of the regions, and the Arkhangelsk Oblast in particular, should be planned in such a way as to take into account the interests of residents of all municipalities, not just large settlements.

### **Conclusion**

This article provides a comparative analysis of the distribution of funds from the Targeted investment program of the Arkhangelsk Oblast for the period 2017–2021 between four districts of the region that are similar in their parameters, as well as the distribution of budget investments

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<sup>12</sup> Official website of the Administration of the President of Russia. URL: <http://www.kremlin.ru/acts/bank/46794/page/1> (accessed 10 December 2022).

within the framework of interbudgetary transfers to local budgets of the Arkhangelsk Oblast for the period 2021–2023.

The study revealed the uneven distribution of investment funds from the regional budget for the specified period, which does not allow municipalities to equally use budget resources for their socio-economic development.

A program-targeted approach to the planning of the budgetary process offers a wide range of opportunities to improve the efficiency of budgetary funds use, as well as the flexibility of the resource management process. However, existing approaches to the distribution of budget funds within the region are controversial and not entirely transparent, and there is still no effective mechanism for introducing program-targeted budgeting approaches into the budget process at the local and regional level. At the same time, the budget is the main instrument for managing and regulating the socio-economic processes of the region.

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