

## BUDGETING BASED ON PERFORMANCE AS AN INSTRUMENT OF FINANCIAL RECOVERY OF LOCAL GOVERNMENTS IN THE REPUBLIC OF SERBIA

**SUMMARY:** *In recent decades, there has been a growing public pressure that the budgetary resources are spent efficiently and effectively, but also responsibly and transparently. The paper discusses performance-based budgeting as a model of budgeting that is able to respond successfully to these requirements. The aim of this paper is to explain the specific features of this budgeting model and to emphasize the possible positive effects of its implementation at the level of local governments in the Republic of Serbia. The local governments in the Republic of Serbia are faced with problems of disorderly public finances, which are, inter alia, the result of an inadequate budgetary system. These problems led to low investment activity, excessive current spending, and huge debts of local governments that are irregularly settled. As a possible solution to these problems, we propose the implementation of performance-based budgeting, which would set credible budget constraints in line with the performance, improve transparency of reporting, but also establish an adequate system for controlling the spending of budget funds, as well as a system of measuring achieved results.*

**KEY WORDS:** *budget, budgeting, performance, local government, budgetary resources*