INNOVATIONS IN FINANCING EDUCATION IN SYSTEM OF DEFENCE

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Abstract: The paper examines a range of recent experiences with both traditional and more innovative allocation mechanisms of budgeting funds for increasing the effectiveness of countries' public financial policy for education in defence and security sector. Nowadays, worldwide is growing number of countries which seek innovative solutions to the substantial challenges they face in financing the military education. One of the principal challenges is that the demand for education in sector of defence is growing far faster than the ability or willingness of governments to provide public resources that are adequate to meet this demand. The primary purpose of this paper is to review the scope and potential impact of these various innovative resource allocation mechanisms, and above all budgeting funds, with a special focus on the newly established budgeting fund for military education and scientific research in Ministry of defence. This study and research can help policymakers, institutional leaders and stakeholders in country's institutions identify and explore the most effective ways to improve the equity and efficiency of public resource transfers to educational institutions, cadets and civil students. The paper also observes how this budgeting fund meet important policy objectives such as expanded access and improved equity, better external efficiency such as enhanced quality and relevance, and increased internal efficiency through cost containment and better throughput. International experience, in recent decades, with financial assets mobilization in military education is the importance of not relying on a single source of funding. It seems through analysis that Serbia should rely on a mix of allocation mechanisms to achieve the objectives it seek for it's military education systems. The growing diversity of funding sources has been an important and effective response by many governments and institutions to the mismatch between demand and resources, and Republic of Serbia accepted that financial and budget policy, but most effective and safest way of financing the security and defence educational system is through bugeting fund, with financial resources specifically targeted for this purpose. The paper examines the time interval from the creation of the budget fund and the amount of funds in order to separate the presentation of certain budget revenues, expenditures and expenditures intended for the development of military education and military scientific research activities, as well as development and maintenance of the capacities of units and institutions of the Ministry of Defense and the Army of Serbia dealing with activities related to education and scientific research. Based on the analysis of the state of financing expenditures of the Serbian defense system, the paper presents innovative approaches to the financing of special expenditures that the Republic of Serbia allocates for the needs of the military education system in its entirety and scientific research work within it - and the focus of research is the scope of the newly established and specially activated budget fund for these purposes.

Keywords: education, defence sector, financial funds, public finance, budget.

1. INTRODUCTION

Education has historically played a major role in preparing military institutions for future challenges and threats and in providing states and alliances with potent instruments of strategic power. At best, it has engaged and stimulated students, taught them standard practices, and encouraged innovation and realism in decision making during the stress and confusion of the battle. At worst it was considered a break in the middle of busy career, a chance to relax and make acquaintances among peers (Holder, L. D, et al, 1998).

The history of military innovation and effectiveness in the last century suggests a correlation between the battlefield performance and how seriously military institutions regarded officer education. It is essential that the services devote substantially more resources to that end. Moreover, staff and war colleges have similar aims: the study of past, present, and future difficulties; the study of strategy and the conduct of military operations; and the thoughtful preparation of forces within the joint arena. To meet the challenges of the twenty-first century, the nation must have officers who are not only in peak physical condition but are intellectually the finest in the world at the profession of arms. This can be achieved only by far-reaching reform of professional military education, which is in middle fase

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in educational system of defence in Serbia. The goals of comprehensive reforms undertaken in this area over the last years are to profile a new, modern, efficient and functional education system which can meet the needs and suit the tasks of the Armed Forces of Serbia, to align and harmonize military and civilian education in the country and to promote the institutional framework within which the processes of education and scientific and research work can be successfully integrated into the defence and security sector in Serbia (Zorić M. & Đukić S., 2010). Legislation in the Republic of Serbia regulates and defines military education that is an integral part of the education system of the Republic of Serbia and is of special importance for the defense. Military education includes education, training and training for the needs of the Defense and the Army of Serbia. Education implies secondary education and higher education implemented by military institutions ("Official Gazette of the Republic of Serbia", 2014.). The training includes all forms of education throughout the life of professional members of the Serbian Armed Forces and civil servants, realized by military institutions and units and institutions of the Ministry of Defense and the Army of Serbia, and from that aspect it is very important clarify and demonstrate the importance of an innovative approach to financing through new forms of exploitation of both existing capacities and conditions, and the delivery of new ones through the engagement of one's own income. Training, for the purposes of this law, includes training programs for reserve officers of the Serbian Armed Forces, candidates for admission to professional military service and foreign nationals.

2. FINANCING THE MILITARY EDUCATIONAL SYSTEM
Defence budgeting is an essential aspect of the relationship between civilian authorities and the military, considered in the light of civil-military relations and democratic control of armed forces. Budget decisions are made in a complex setting of multiple actors across different institutions and agencies (Padgett, 1981). Today, due to rapid scientific development and application of scientific achievements in practice, there is a change in the physiognomy of military activity. Consequently, activities that describe the contents necessary for the performance of this activity, as well as activities related to the financing of all the holders of functions, ie institutions that have an educational role, as well as the mechanisms of financing the entire military education in the defense system, are changed (Milošević-Stolić J., et al 2016). Military education, especially joint professional military education (JPME), must be seamless, continuous, and careerlong. It must be needs-based, available on demand, and offered just-in-time. It must be more information technology-based as well as more experiential and virtual. And it must be fused with operations, integrate resident and nonresident instruction, and appeal to both military and civilian components as well as international institutions. These are the features of a revolution in military education, and it is underway. Accordingly, there must be adequate flows of funding for scientific projects, education systems and overall development within the defense system. PME must keep abreast with the times - it must lead, not lag behind change. This has traditionally been the case. The military colleges were engines of change for industrial age warfare at the turn of the last century. Because of this fact, it has to have efficient base of financing operations (Chilcoat A. R., 1999). However, such change in financing way, will involve hard work. It will require a willingness to inquire and create, embrace change and vision, champion new ideas, and above all lead. Only then will Serbia be able to create a successful joint professional education system of defence for 21st century and staff would have answer to all future threats. Military institutions in the Republic of Serbia basically acquire funds of the following sources, and they are funds provided by the founder for military education; fees; donations, gifts and bills; funds for financing scientific and professional work; projects and contracts related to the realization of teaching, research and consulting services; fee for commercial and other services and other sources, in accordance with the Law of Military Education ("Official Gazette of the Republic of Serbia", 2014.). Funds for performing activities during one school year shall be provided in accordance with the program of work of a military institution. The managing body of a military institution corresponds to the Ministry of Defense for the purpose and economical spending of funds allocated from the budget of the Republic of Serbia.

The means that the military institution achieves is and there is the possibility of using these funds for the purpose of expenses of the operation of institutions of the education system of defense, then for the purchase of teaching and other equipment that promote the conditions of education of the participants, for international cooperation with other institutions of this type and participation in joint education programs. Publishing and information systems are also financed from these sources, and funds are also used for the library fund. What is of paramount importance is that the financial resources are used to carry out scientific and professional work that is in the function of raising quality of teaching, scientific and professional development of employees, development of teaching-scientific youth, work with gifted cadets and students, work of the cadet parliament and extra-curricular activities of cadets. The funds that
a military higher education institution achieves, other than the resources provided by the founder, constitute own income, such as tuition, providing services to third parties, donations and other types of income. In order to finance defense expenditures, almost all countries of the world, and especially developed, allocate significant financial resources. The amount of these funds is determined by the defense policy, the state of the environment and the economic strength of the country. However, regardless of the economic capabilities of each country, funds for financing defense expenditures, and at the same time, within these expenditures and the allocation of funds specifically intended for military education and scientific research within the defense system are largely limited, resulting in discrepancies between the economic possibilities and the need to finance all defense expenditures. There is an effective solution to the disproportion between the needs of the defense and the country's economic ability to finance defense spending, primarily in the establishment of special budget funds. Real and expedient planning of the necessary human, material, infrastructural and other needs in the defense system, through their translation into the appropriate scope of approved budget and available funds, can achieve all the goals of the operational activities of the system.

3. THE INFLUENCE OF THE FUND ON THE OPERATIONAL EFFICIENCY OF MILITARY EDUCATION

In Republic of Serbia, the budget fund is a term defined in the Law on the Budget System (Official Gazette of the Republic of Serbia", No. 113, 2017) and is a record account in the Treasury's General Treasury, which is opened by the decision of the Government or the competent executive authority of the local government in order to manage certain budget revenues and expenditures separately achieving the goal that is foreseen by a special republic or local regulation or an international agreement. The budget fund for the needs of military education and military scientific research activities was created in September 2015 by the Government's Decision ("Official Gazette of the Republic of Serbia", No. 82, 2015) with the aim of separate presentation of certain budget revenues, expenditures and expenditures intended for the development of military education and military scientific research activities, as well as the development and maintenance of the capacities of units and institutions of the Ministry of Defense and the Army of Serbia dealing with activities related to education and scientific research. It is opened as a record account in the Treasury's general ledger as an indirect user of budget funds.

The Decision stipulates that the funds for financing the Budget Fund are provided from the part of the revenues generated by the organizational units of the Ministry of Defense and the Army of Serbia, which deal with research, education and development activities, which retain the character of own revenues, then from donations; from the budget and other sources.

| Table 1. Comparative analysis of budget funds' assets for military education in recent years |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Type of Budget fund in MoD                 | Budget fund for the needs of military education and scientific research work |
| Year                                       | 2016      | 2017      | 2018      |
| No.                                        | Type of revenues | Amount   | Percentage | Amount   | Percentage | Amount   | Percentage |
| 1                                         | Own revenues   | 95,621,000| 99,99%     | 106,600,000| 76,74%     | 130,000,000| 100,00%    |
| 2                                         | Budget incomes | 6,000    | 0,01%      | -         | -          | -         | -          |
| 3                                         | Undistributed surplus income from previous years | - | - | 32,300,000 | 23,26% | - | - |
| TOTAL                                     | 95,627,000 | 100,00%  | 138,900,000| 100,00%  | 130,000,000| 100,00%  |

Source: Authors' calculation

According to the legal regulations and the Decision establishing the fund for the needs of military education and scientific research work, it is defined and for what purpose the financial resources are intended. The funds of the budget fund are used for the performance of military education and scientific research work in the function of military institutions and military scientific research institutions; for the scientific and professional development of
employees, including those officers, military officers and all persons in the defense system; for the procurement of equipment for development and raising the quality of teaching in military institutions and the quality of work of scientific research institutions of importance for defense; as well as for other purposes in accordance with the law and the annual program of using funds of the Fund, the amount of which is directly decided by the Minister of Defence.

Graph 1. The amount and types of resources of fund for financing educational system of defence

As we can see, the approach to financing military education and scientific research work within the educational system of defense through the budget fund proved to be efficient from the aspect of easing the state budget. Namely, the budget fund, as shown in Table 1, hires financial assets that predominantly have the character of own revenues, that is, they are surplus income from the previous years. In this way, the approved budget of the Ministry of Defense is relieving the operational costs and expenditures for the military education system, and the revenues that the Ministry alone achieves is economically and efficiently used. The funds allocated for military education for the three years studied show a trend of growth, which directly implies that additional investments aim to improve and speed up the development of military education in the Republic of Serbia, in an effort to monitor the world trends and other developed countries of the world. Allocation of funds by the fund, outside the common reserves in the form of the budget of the Ministry of Defense, gives the room a more efficient use of funds in the dedicated purposes, as in our case, the system of military education. This approach to financing fosters full utilization, and at the same time transparency in the use of resources in the development of education (Madžar Lj., 2008).

4. CONCLUSION

Nowadays many countries interlaced with constant problems, uncertainties and rapid technological progress, it is next to impossible to take into consideration all the factors that could affect the security situation of a country. Because of that fact financial assets are becoming thinner and if the military evolution is not to be focused on specific development areas, saving budget funds the process, there is a high danger that the whole financial construction of a country would collapse. Because the possibilities and situation, domestic and foreign, each country allocates a certain amount of funding to the military education sector.

The Serbian military education is on the right track. The secured future lies in front of it and the long and fruitful tradition behind it. It can boast of its human and material resources, and a successful harmonization with the civilian education system resulting in its accreditation, which all put together, provides a realistic foundation for achievement of credible results. Thus, possibilities for continuous development of the Serbian military education system are opened up with the prospects of establishing it as an equal partner to the highest education institutions in the country and a credible member of the European system of the military education institutions.
By creating funds in which the purpose of the funds is specifically defined, it provides far greater security and the possibility of long-term planning of both current and investment costs necessary in the military education system to create high-quality military personnel at all levels of education.

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