**PEMPAL BCOP Event of the Budget Literacy and Transparency Working Group (BLTWG) – September 6-7, 2018:**

**ATTENDANCE AT THE 2018 MOSCOW FINANCIAL FORUM AND THE INTERNATIONAL CONFERENCE ON CITIZEN ENGAGEMENT AS A RESOURCE FOR DEVELOPMENT**

**Moscow, Russian Federation**

**EVENT REPORT**

On September 6-7, 2018, a small delegation of the Budget Literacy and Transparency Working Group (BLTWG) of the PEMPAL Budget Community of Practice (BCOP) travelled to Moscow, Russia to attend the 2018 Moscow Financial Forum and the World Bank Conference on Participatory Budgeting in Russia, at the invitation of the Ministry of Finance of Russian Federation. BCOP representatives came from Ministries of Finance of three BCOP BLTWG member Governments: Belarus, Romania, and Uzbekistan. The BCOP resource team member Naida Čaršimamović, while administrative support was provided by Ksenia Galantsova of the PEMPAL Secretariat.

The Moscow Financial Forum, organized by the Ministry of Finance of the Russian Federation and the Government of Moscow, took place for the third time since 2016. The Forum is a unique platform for professional discussion of Russia's financial and economic policy and it brings together public finance officials, representatives of the private sector, academia, and international experts to discuss approaches to addressing financial issues, which Russian economy faces, including in the area of public finance. This year’s forum focused on discussing the mechanisms for the achievement of the national development targets set in May 2018 by the Precedential Decree on National Goals and Strategic Objectives of the Russian Federation until 2024.

PEMPAL participants attended the following sessions of Moscow Financial Forum:

1. Plenary session on Day 1: *From macroeconomic stabilization to national projects. What kind of finance and economic policy will ensure a breakthrough?* Speakers included the CEO of the World Bank, the Prime Minister, Minister of Finance, and Minister of Economic Development of Russian Federation, Chairman of the Accounts of Chambers of the Russian Federation, and the President of the VTB Bank. Speakers presented and discussed the macroeconomic, fiscal, and financial trends in the Russian Federation over the last period and the targets for the upcoming period as per the National Goals and Strategic Objectives of the Russian Federation until 2024 within a context of global economic and trade environment. Different mechanisms for achieving the new targets were discussed, included the planned new and streamlined approach to program budgeting with improved monitoring tools (which is of special interest for the work of BCOP and its Working Group on Program and Performance Budgeting), planned infrastructure projects, increased focus on economic incentives for private sector, and increased focus on regional development.
2. Plenary session on Day 2: *Conversation with the First Prime Minister – Minister of Finance of the Russian Federation and Mayor of Moscow City*, at which Minister of Finance of the Russian Federation and Mayor of Moscow discussed specific public policies to achieve the National Goals and Strategic Objectives of the Russian Federation, from both national and sub-national perspective. The discussion covered restructuring of the national budget to meet new strategic goals, focusing on labor productivity, economic growth, and living standards (including health, education, and pension policies) through national projects, recently developed. These national projects have a more precise structure compared to government programs, they are planned to be implemented over the next three years, and will be monitored closely through a specially set monitoring mechanism. While social objectives (including wages in public sector) were a priority in previous years, going forward the priorities will be on policies which provide incentives for economic growth and private sector. The discussants also talked about the tax revenue sharing between the national and subnational levels, spatial plan strategies, tax system efficiency and stability, agglomerations, development and service improvement of under-developed regions, demographic challenges for pension system, and differences of purchasing power parity across the country.
3. *Tax Reform: To Complete or to Halt? Summing Up Tax System Changeover*. This session discussed the importance of different objectives of tax system, including budget stability (which is of great relevance for BCOP), providing incentives for economic growth and predictability. The topic is important for the Russian Federation, as numerous reforms have been implemented over recent years, including the recent package of amendments to taxes and fees. After these most recent come into force, it is planned that the basic parameters of the tax system will remain unchanged for the period of 6 years, to secure predictability. The session was moderated by the Chairman of the Committee for Budget and Taxes of the State Duma of the Federal Assembly of the Russian Federation, while presenters and discussants included representatives of the Ministry of Finance, Moscow region authorities, private sector, academia, associations of SMEs, and association of employers.

On September 7, the participants attended an International Conference held within the Moscow Financial Forum on the topic of *Citizens’ Participation as a Development Resource: Russian and International Experience with Participatory Budgeting*. The Conference was co-organized by the World Bank Local Initiatives Support (LISP) Project team. The importance of the subject of participatory budgeting in the Russian Federation is demonstrated by the fact that a 6-hour international conference on this topic was included in the Moscow Financial Forum. Over the last decade, participatory budgeting has developed significantly in the Russian Federation, with now more than 50 regions (almost two thirds) implementing some participatory budgeting practices – total of over 10,000 projects in value of over 100 million USD. Russian experience is quite unique and interesting for other countries to examine, given some untypical features, including: i) involvement of the national Ministry of Finance which provided methodological and institutional support, ii) ensuring that projects are mostly initiated and financed by the subnational level, iii) strong cooperation with international experts including through World Bank LISP activities. The conference was divided into three sessions. The first and main session was on the role of government in supporting and regulating citizens’ participation in public infrastructure development and was moderated by Sergei Ryabukhin, Chair of the Budget and Financial Markets Committee of the Council of the Federation, who noted that recent successful examples on participatory budgeting are a result of success factors that include: i) priority projects being identified at the local level in areas such as urban planning, ii) a good model being found to involve both citizens and businesses, and iii) strong support by the international expertise, most notably by the World Bank. The discussion focused on new horizons to further advance participatory budgeting and new forms of public participation, such as youth projects.

Adras Horvai, Country Director and Resident Representative, World Bank Moscow Office, gave introductory remarks explaining that the World Bank has been involved in public participation initiatives in Russian Federation for ten years and that a new level of partnership and intensified work has started two years ago with the agreement being signed between the World Bank and the Ministry of Finance of the Russian Federation. He thanked the conference organizers for this event, which provided a good opportunity to take stock of what has been achieved and to exchange ideas and information about going forward. He noted that through the experience working on public participation initiatives, it became clear that they can be a game changer in building dialogue and trust between the citizens and governments, if the transparency and local co-financing and ownership is ensured. Moreover, the importance of letting the citizens at local level decide on their own what the priority projects proved to the be the key success factor to ensure that the key needs are addressed. He noted that an impact evaluation conducted by the World Bank, which compared regions in which public participatory initiatives are implemented to those in which no such initiative exists, found positive impact on public participation in terms of citizens’ satisfaction with quality of life, local government, and service delivery, as well as trust in regional government. Mr. Horvai also explained that in terms of innovation, LISP activities have expanded from rural to urban areas, from smaller to larger, and that several regions are currently experimenting with initiatives specifically designed for youth, which will provide important lessons on how to further the public participatory agenda in future. He concluded by noting that the World Bank has a separate program on budget literacy, which is a very important element for systematic approach to increasing and improving public participation in future.

Next, representatives from two regions with successful public participation initiatives spoke. Stavropol Krai is one of the leaders in this area, with numerous projects implemented since 2006. The region continues to expand the scope of public participation initiatives and to increase citizens’ participation. A short TV video was shown to audience, which is used in the region to motivate citizens to participate. The key lessons learned presented included: i) making projects compete with each other, as opposed to municipalities, ii) covering as much as geographic region with initiatives, iii) getting over 50% of citizens to participate in some way, iv) ensuring that in addition to regional budget, the local budget co-finance projects as much as possible for ownership purposes, v) clear regulations/legal stipulations for the selection process, vi) ensuring that the application deadline is early enough in the calendar year to ensure implementation by end of budget year, vii) having no limit on size of projects, viii) ensuring continuous training and capacity building of municipal staff, and ix) using media to motivate citizens to participate, including tv and social media. Sakhalin Oblast is relative newcomer to public participation initiatives, having started in 2017, but has had a fast-paced progress and has already invested significant amounts in these initiatives. At first, the initiative was not well received by the citizens, which then completely turned around as trust was established and many engage in the process. This region is experimenting with a youth initiative which is done outside of schools and focuses on having the youth (attending 9th – 12th grade) propose their ideas, with a limited participation from school principals and staff, in order to ensure true youth ownership. In addition, this region has a construction project implemented with public participation. The region took on international experience, with the assistance of the World Bank, and decided to follow the examples for Cascais, Portugal, adapted for their own circumstances. Mentioned success factors included open voting procedure, open and transparent selection process through government portal with online verification, national tv coverage, decent amount of money invested in the initiative, political will, and good quality dedicated staff.

Three presentations that highlighted global best practices were next delivered by the Global Initiative for Fiscal Transparency (GIFT). International Observatory on Participatory Democracy (IOPD), and Yves Cabannes from University College London, renowned global expert on public participation. GIFT Director underlined that budget transparency and transparency will have an important role globally for a long time and stressed that the next frontier will be to increase public participation at the national levels of government. He discussed the benefits of public participation (including improvement in fiscal responsibility, increased trust in government, assisting officials to assess the likely effects of policies, and having citizens play a role of watchdog). The elements of GIFT principles for public participation were presented, as well as global developments in the work on public participation (including the recent background paper developed by the PEMPAL’s BCOP Budget Literacy and Transparency Working Group) the results related to public participation from the 2017 Open Budget Survey. Examples of public participation initiatives at national level were discussed, including hearings of NGO representatives with the Ministry of Finance in Croatia and in Kyrgyz Republic in budget preparation stage, as well as public hearings, as well as in Peru and Croatia in budget approval stage. The examples are most numerous at the budget execution stage, including in Mexico for infrastructure stage. In the oversight stage, the examples include analytical web platform in Georgia. The presentation concluded with overview of basic necessary elements for public participation mechanisms to work and last, including strong government support consisting of both advocacy champions and capacity building; direct relationship between resources available for allocation through public participation and its impact; and presence of a strong and organized civil society. The IOPD Coordinator talked about the work of this network of local and regional governments, which also has partners from NGOs and research centers. The network started in Latin America and South Europe and it gives annual award “Best Practice in Citizen Participation” since 2006. Recent winners include La Paz, Bolivia; Canois, Brazil; Quart de Poblet (Spain), and Chengdu (China). The IOPD presented also discussed four interesting cases of initiatives in Taiwan (for migrant workers), Portugal (for youth), Malaysia (gender budgeting), and France. Mr. Cabannes’s presentation focused on new trends in public participation, including: i) growth and spread of public participation, with upscaling within the countries and with new countries also joining, ii) more initiatives in larger cities/districts/regions such as Paris, Madrid, New York etc., iii) local governments continuing to play a central role, but higher levels also joining, iv) spill over outside of core government functions, with initiatives in public transport, community housing, schools, social enterprises, and professional association, v) basic services and small equipment at neighborhood level continue being central, but new types of projects are coming up more often, including income-generating and wealth creation projects, vi) participatory budgeting being understood as pedagogic pretext for civic engagement – it is both a means in terms of empowering people and an end in terms of improving lives, vii) after years of dominance of thematic or geographical initiatives, we see more and more group-based initiatives, primarily for marginalized groups such as youth, elderly, or immigrants, viii) continued focus on participatory budgeting as a good governance tool, and ix) there will be a need to increase value of public participation initiatives, so that they are above threshold of 100USD per citizen.

The main session was concluded with a presentation of Minister of Finance of the Russian Federation, who provided a perspective of the Ministry of Finance of what has been achieved in participatory budgeting in the Russian Federation, what will be achieved, and how it will be achieved. Since 2015, the efforts on public participation has doubled in terms of both geographical area covered and in value. Further increase in terms of number and type of projects and their value is planned (including through continued cooperation with the World Bank). Although no official data on public satisfaction is collected, the increased citizen participation rate is a positive signal. The types of different public participation techniques/projects increased from 20 to 120. In terms of future plans, the Russian Federation does not want to lose momentum in this topic and will put efforts to keep the citizens’ interest high. Moreover, there is an interest to intensify cooperation with other countries in the region to share good practices – given the number and variety level of types of projects implemented in the Russian Federation, a great wealth of knowledge and experience has been accumulated. He noted that the ultimate goal of participatory budgeting is to contribute to improving effectiveness of public expenditure and that the budget process will be further improved to, inter alia, provide for increased public participation. In conclusion, he discussed about the first participatory budgeting initiative implemented at the national level in the Russian Federation, in the area of capital investment (Federal budget subsidies disbursed to regional budgets to support regional and municipal projects for modern urban environment).

Two additional sessions were held on Role of Government in Supporting and Regulating Citizens’ Participation in Public Infrastructure Development and on Models and Tools for Interaction with Citizens in Participatory Budgeting Practices. The first sessions discussed goals, objectives, and specific mechanisms used to support participatory budgeting practices by the government, as well as the need and scope of their government regulation. The second session was on Models and Tools for Interaction with Citizens in Participatory Budgeting Practices, discussing specific models, mechanisms, and procedures with a focus on communication, awareness-raising, and advocacy interaction between different governments and the public.

In addition to Moscow Financial Forum, on September 6 a workshop on participatory budgeting was organized by the World Bank LISP team and the Ministry of Finance of the Russian Federation in the World Bank Russia Country Office. The first session discussed the participatory budgeting from the perspective of the Federal Government and included a presentation of the BCOP Chair and the BLTWG Lead Anna Belenchuk from the Ministry of Finance of Russian Federation, a presentation of the LISP activities by the World Bank, and a presentation from the Financial Research Institute. The second session discussed the participatory budgeting from the perspective of Russian regions included presentations from four regions (Stavropol Krai, Republic of Sakha, St. Petersburg, and Sakhalin Oblast).

The agendas of the Moscow Financial Forum, the International Conference, and the workshop on participatory budgeting are provided in English and Russian languages at <https://www.pempal.org/events/bcop-budget-literacy-and-transparency-working-group%E2%80%99s-attendance-2018-moscow-financial-forum>.

Materials from the Moscow Financial Forum (in English and Russian languages) are available at <http://mff.minfin.ru/en/archive/2018/materials/>.