

Key Outcomes of the Last 10 Years of the Budget Reform in the Russian Federation

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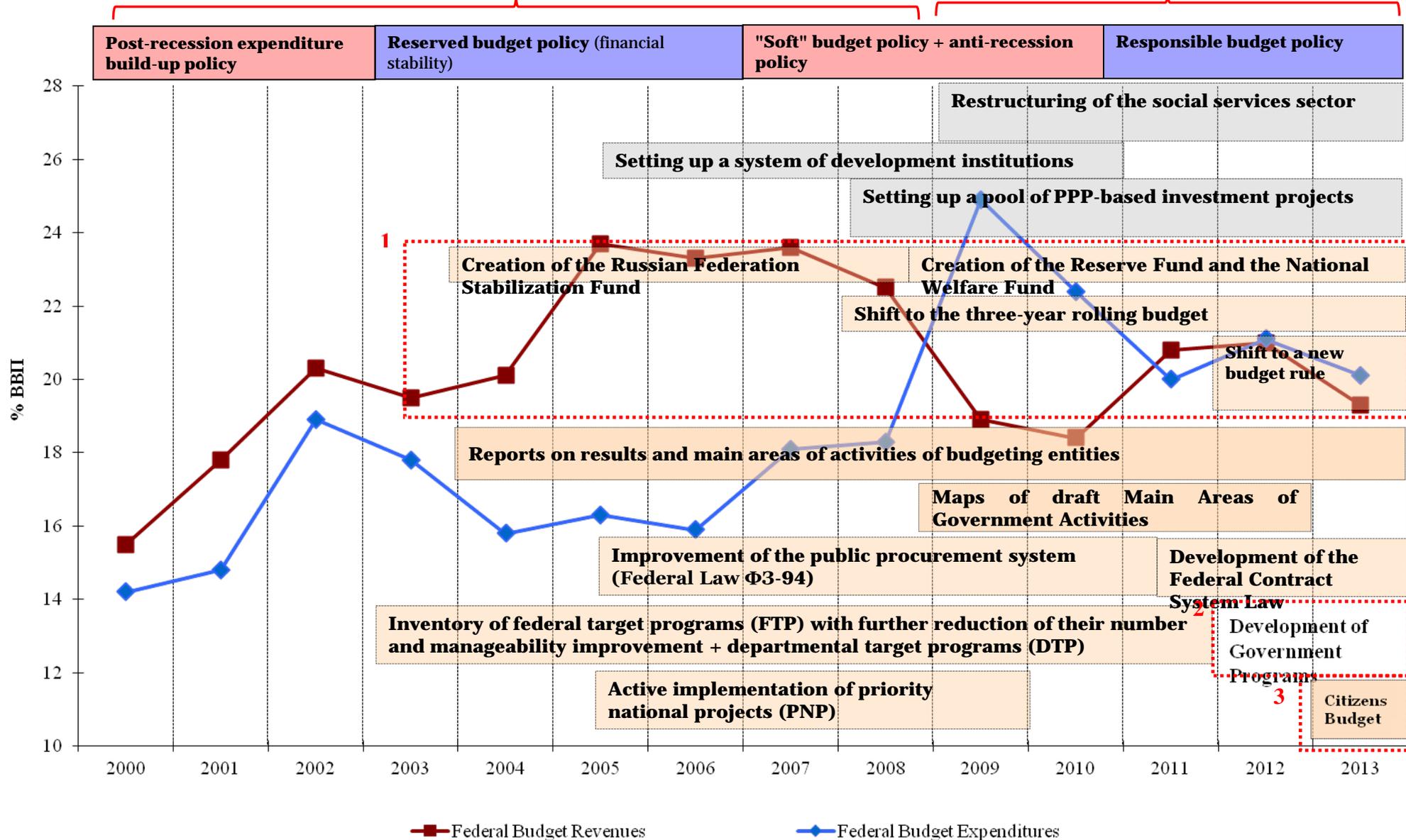




Main Activities of the Budget Reform in 2000-2013

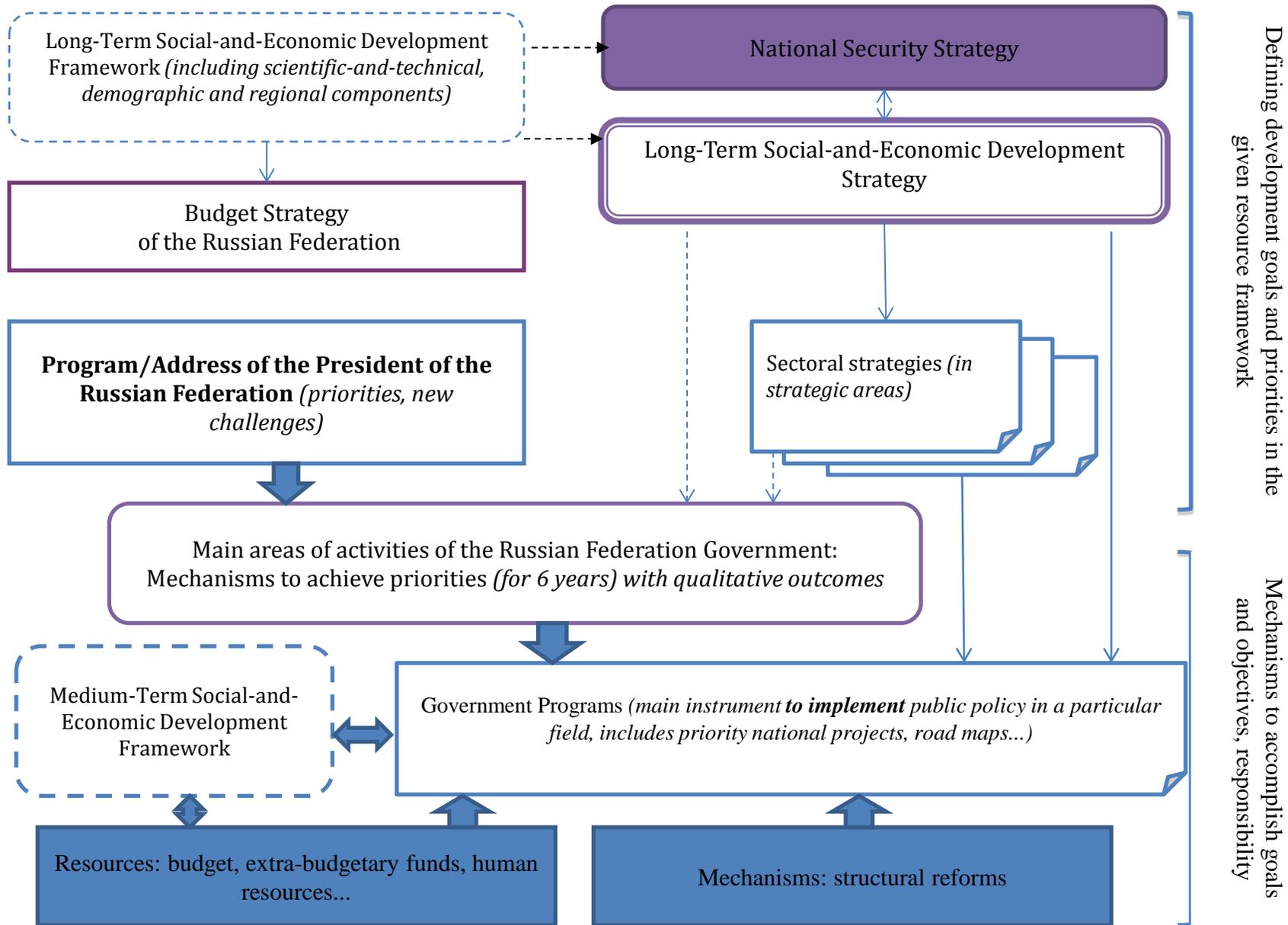
Budget Surplus

Budget Deficit





System of Key Strategic Management Documents





Long-Term Budgeting System

Instruments

Expected Outcomes

**Budget Strategy
of the Russian Federation
(long-term budget projections)**

**Government (and Municipal)
Programs**

“Fiscal Rules”

**Reserve Fund
National Welfare Fund**

Investment Fund

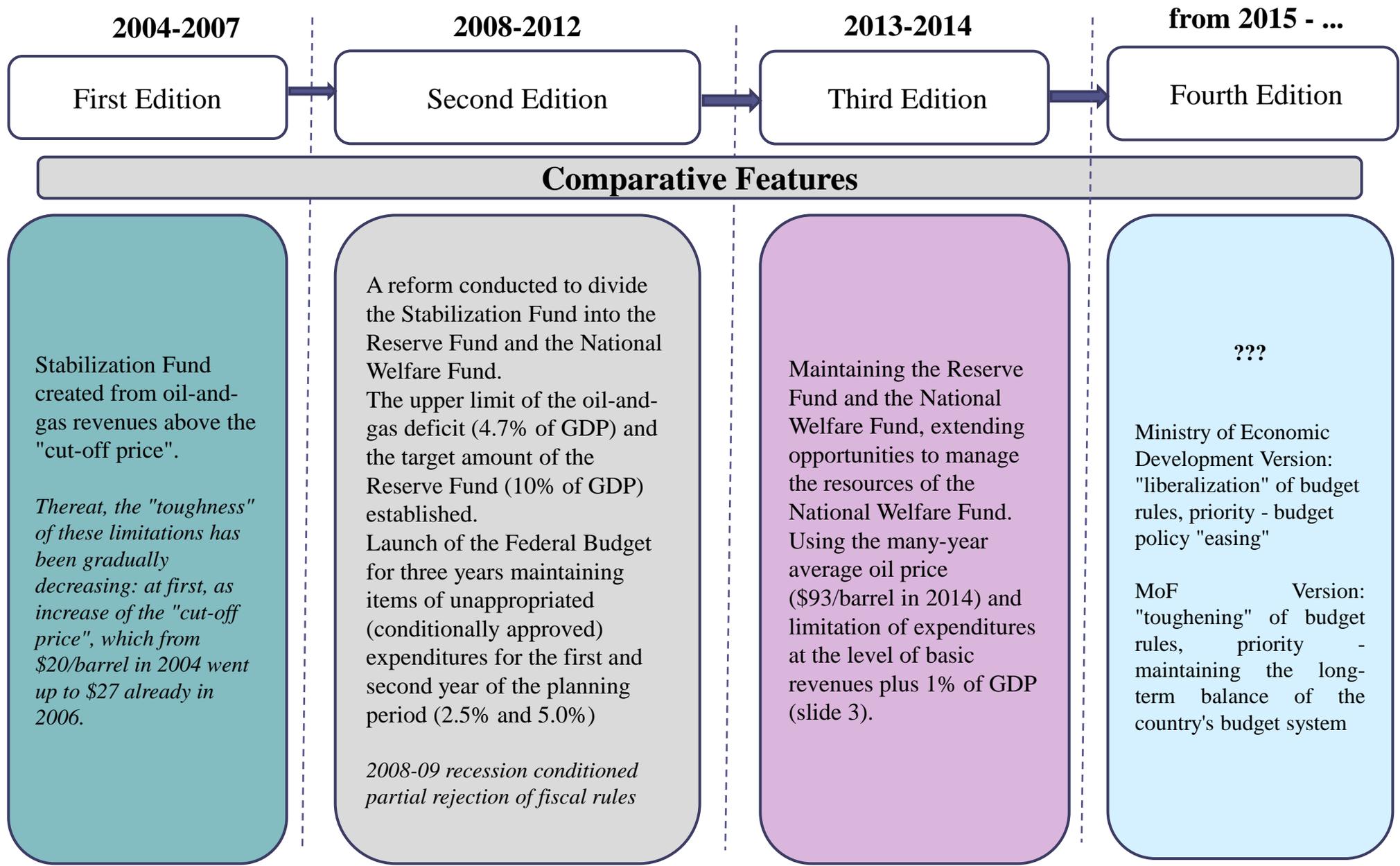
- ❑ Long-term projections of the financial possibilities of budgets in the budget system.
- ❑ Estimates of federal budget expenditure limits for implementation of government programs and other ongoing commitments.
- ❑ Connection of the main public policy goal and objectives with conditions and resource base for their implementation.
- ❑ Assessment of budget and macroeconomic risks and creation of conditions to support balance of budgets in the budget system in the long run.
- ❑ Ensuring sustainability of the federal budget when world oil prices change.
- ❑ Accumulation of additional (opportunistic) oil-and-gas revenues in sovereign funds.
- ❑ Increased transparency and predictability of the fiscal policy.
- ❑ Limitation of overgrowing expenditures in case of favorable pricing environment and non-prevention of spending clamps in case of short-term negative economy shocks.



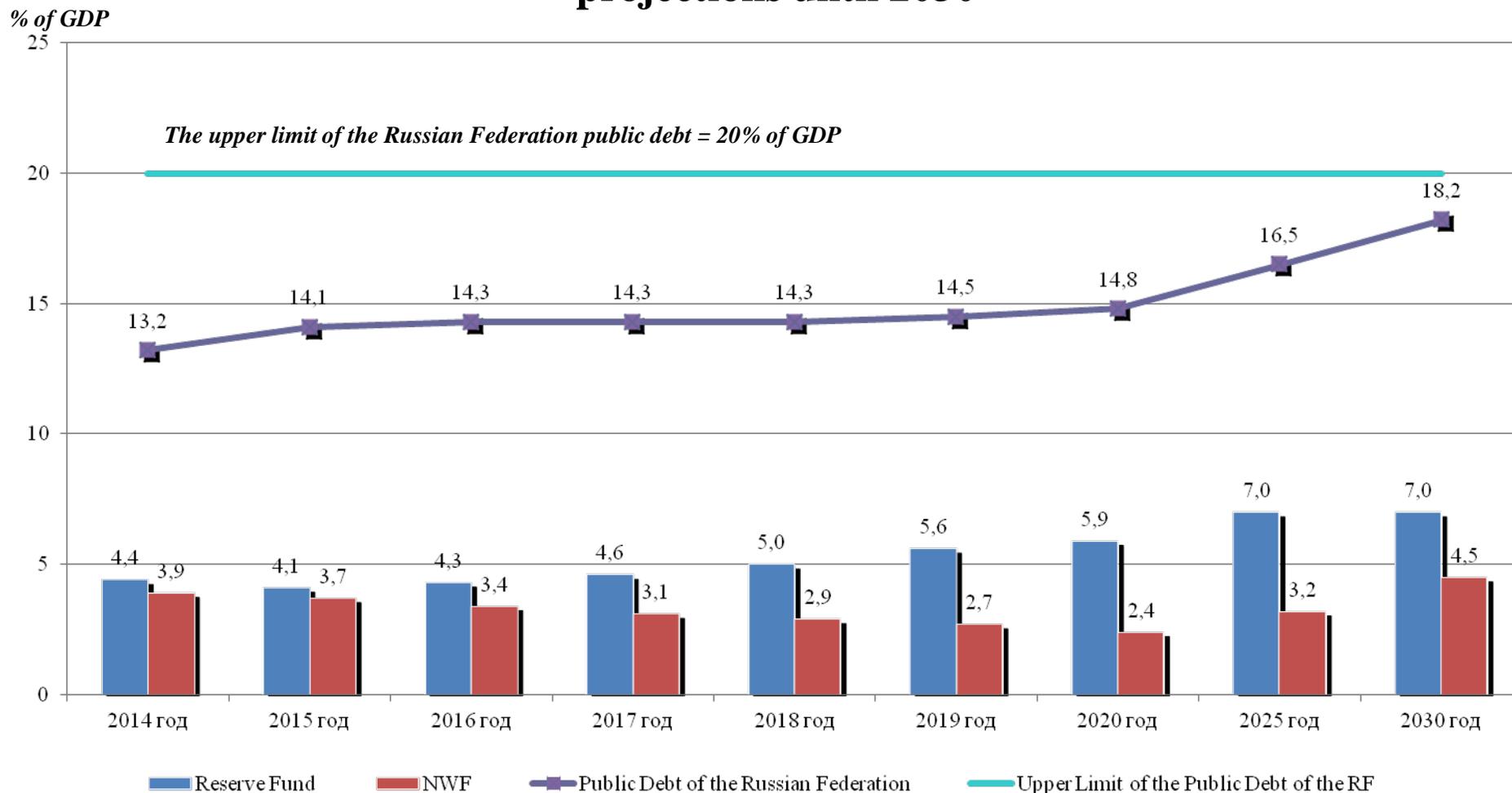
Basic Principles of the Russian Federation Budget Strategy

- ❑ Ensuring balance of budgets at all levels
- ❑ Application of the "conservative" approach in analysis of the social and economic development of the Russian Federation until 2030 when making long-term projections of the main features of budgets in the budget system.
- ❑ Reduction of importance of oil-and-gas revenues in the structure of budget receipts
- ❑ Stability of the tax system framework combined with the shift of the tax burden to consumption and assurance of tax progressiveness (*maintenance of the main taxation dimensions of the non-resource sector of economy, non-increase of tax burden on labor and capital, introduction of increased taxation on luxury consumption and property of high cadastral value, increase of excises for alcoholic and tobacco products at rates that significantly exceed the inflation rate*)
- ❑ Maintenance of budget rules and accumulation of the base stock of the Reserve Fund (*the base stock equal to 7% of GDP in the Russian Federation will be achieved by 2022 at the earliest, which increases the risks of financial resources deficit to secure current commitments*)
- ❑ Ensuring debt sustainability in the long run (*stabilization of the public debt amount at the level of at most 20% of GDP – by 2030, the level of public debt will make up 18.2% of GDP, while expenditures of the federal budget on the Russian Federation public debt management will not exceed 5% of total expenditures*).
- ❑ Development of program-based methods of public spending management (*improvement of government programs and spending efficiency evaluation methodology*).
- ❑ Assessment of expenditure on full implementation of Decrees of the President of the Russian Federation dated 7 May 2012 (*51.7% of the entire expenditure (2.75 trillion rubles) falls within 2017-2018*)

Evolution of "Fiscal Rules" in the Russian Federation



Sovereign Funds and Public Debt of the Russian Federation: projections until 2030

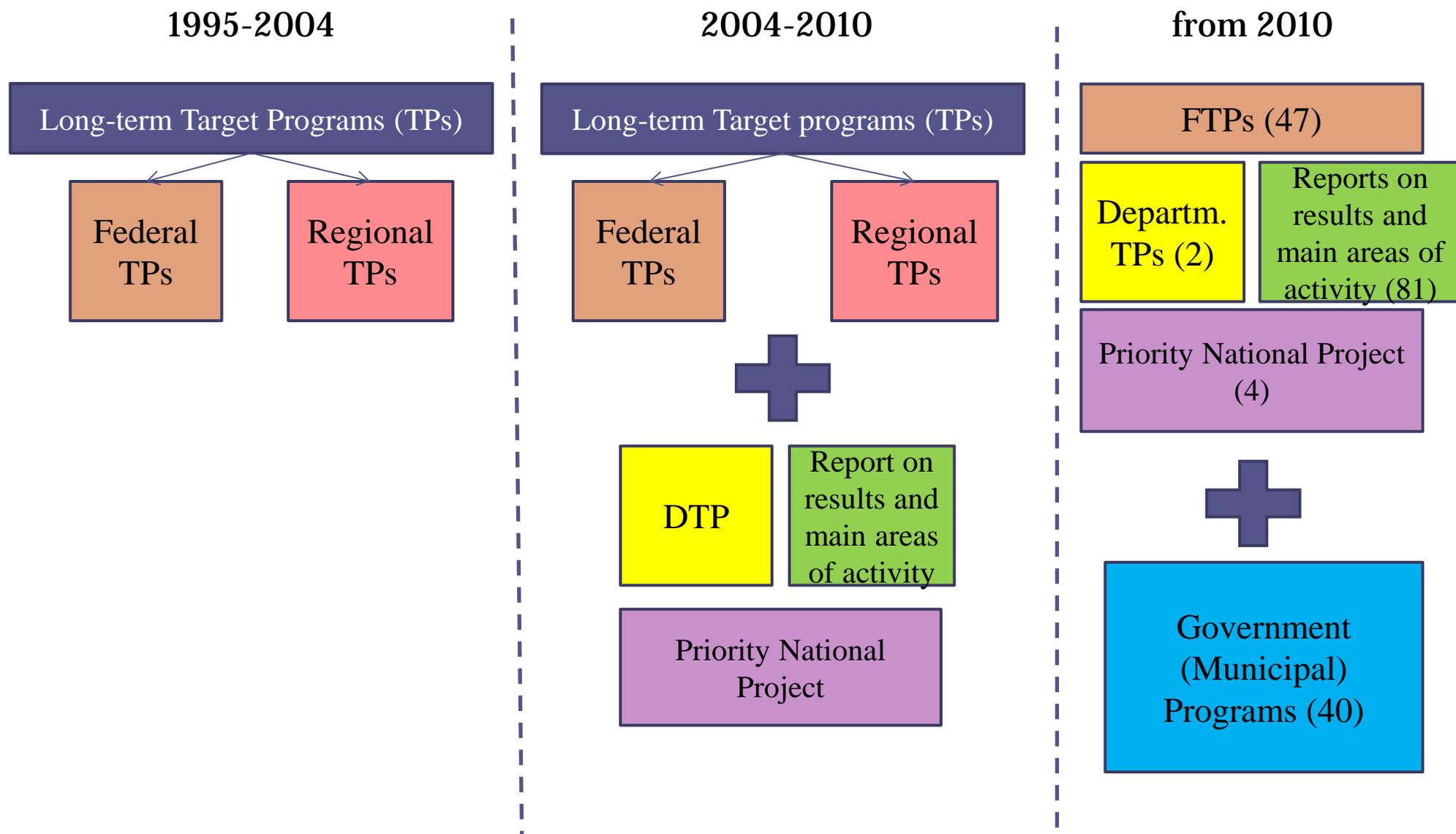


The Reserve Fund is formed from additional oil-and-gas revenues of the federal budget. Its regulated amount - 7% of the estimated GDP for the corresponding financial year.

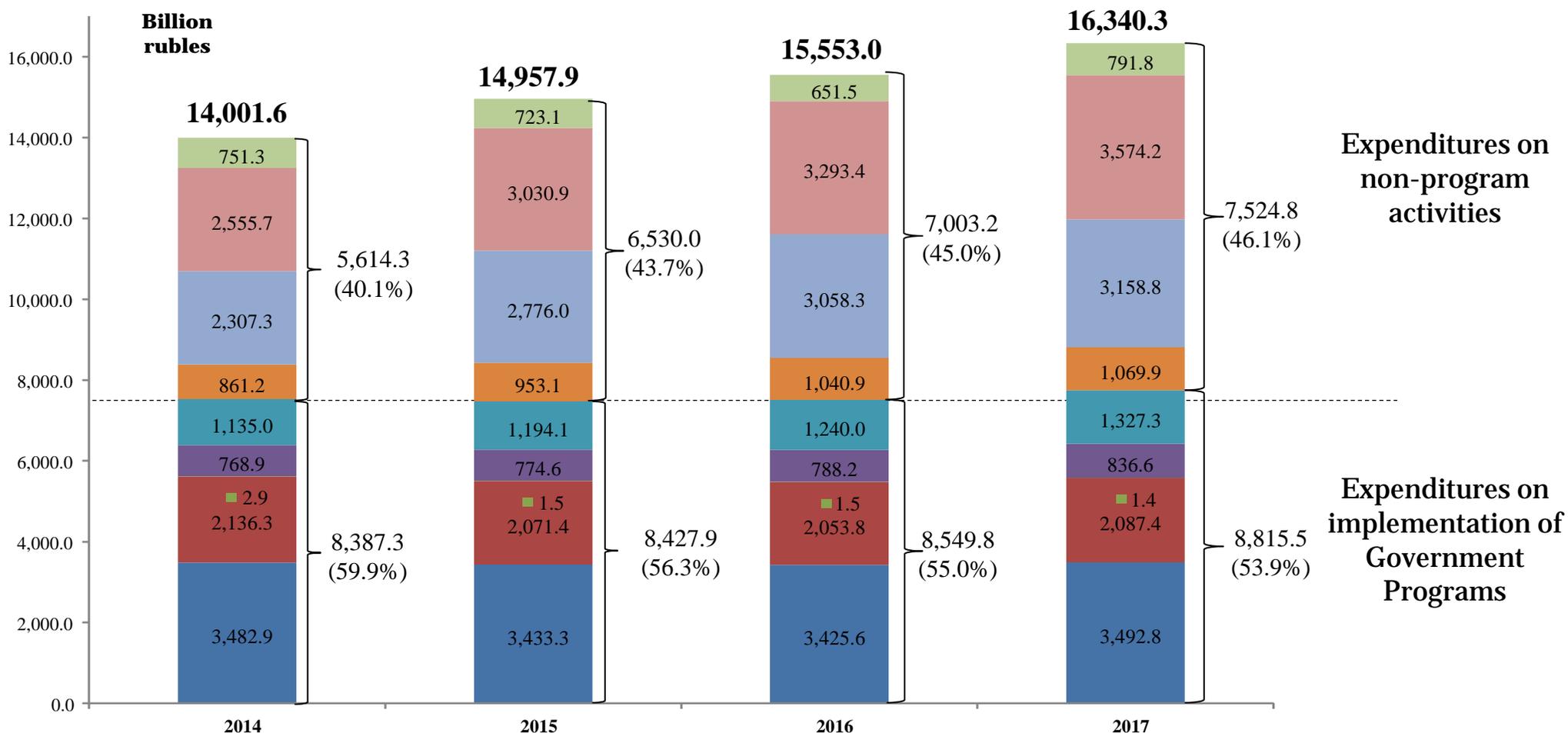
The National Welfare Fund - part of federal budget funds subject to special accounting and management to ensure co-financing of voluntary pension accumulations by citizens, as well as balance (deficit coverage) of the budget of the Russian Federation Pension Fund. It is formed from additional oil-and-gas revenues of the federal budget, provided the accumulated amount of resources in the Reserve Fund reaches the regulated amount.



Program Instruments of Public Policy Implementation



Program Structure of the 2014-2017 Federal Budget



- I. New Quality of Life (12 programs)
- II. Innovative Development and Modernization of the Economy (17 programs)
- III. National Security Protection (1 program)

- IV. Balanced Regional Development (5 programs)
- V. Efficient State (4 programs)
- Expenditures on Implementation of the Russian Federation Government Programs (classified items)

- Financial Provision of the Pension System Development
- Classified Expenditure, including provision of the country's defense capacity
- Other Non-Program Expenditure



Main Areas of Program Budgeting Improvement

Improvement of government programming methodology

- ✓ Ensuring full assessment of public policy instruments (tax incentives, regulations, etc.)
- ✓ Implementation of project management
- ✓ Taking into account the results of budgeting performance assessment
- ✓ Assessment of macroeconomic and budget risks

Integration of draft budgeting processes and government programs

- ✓ Simultaneous presentation of the draft budget and amendments to programs to the Parliament, reflecting the results of public money spending
- ✓ Discussion of programs within committees of the State Duma and the Federation Council
- ✓ Synchronization of procedures introducing changes to the budget and programs

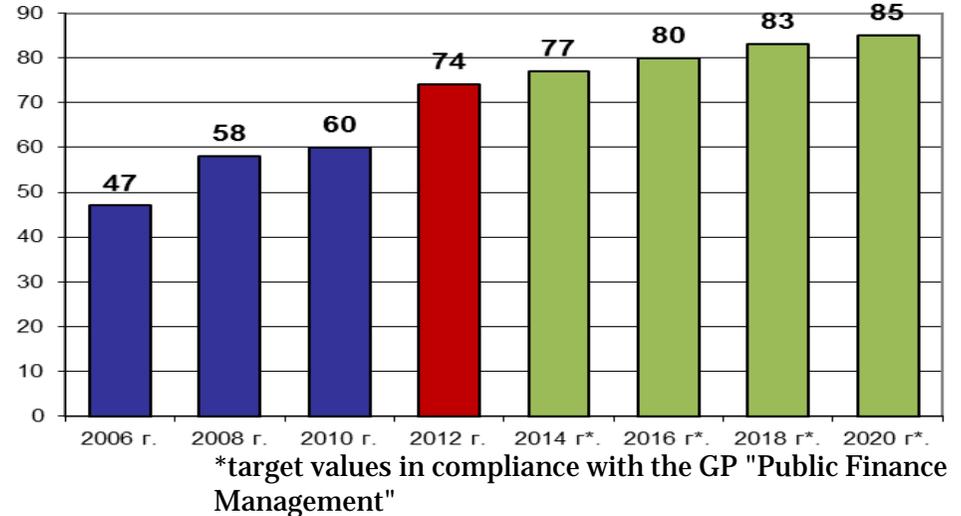
Further improvement of budget decision-making within government programs

- ✓ Budgeting of all expenditures based on a single approach
- ✓ Developing long-term budget projections
- ✓ Extending the authority of federal executive bodies in reallocation of funds within programs
- ✓ Executing decisions within the limits of resources allocated for the program

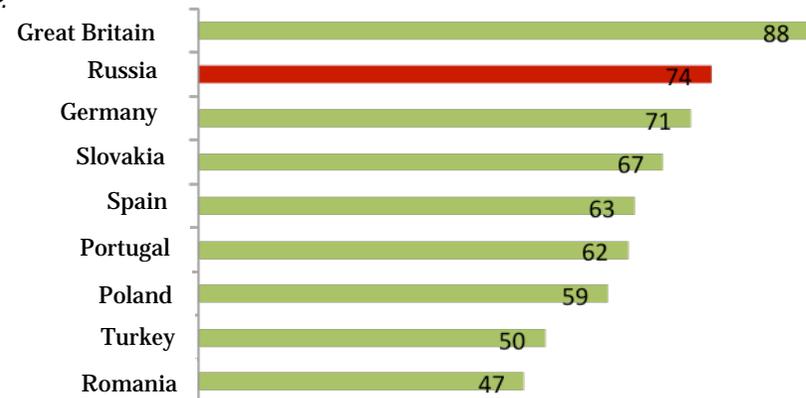
Openness and Transparency in Public Finance Management: *Open Budget Index Dynamics*

- ✓ Russia improved its indicator from 60/100 points in 2010 to 74/100 in 2012 and came 10th among 100 participating countries with an average index of 43/100 (which has been repeatedly mentioned in Open Budget Reviews by the International Budget Partnership).
- ✓ As a result, in compliance with research methodology, in 2012 Russia qualified among the group of countries presenting "significant amount of information on the budget process to the public".

Dynamics of the Open Budget Index in Russia in 2006-2020



Comparison of countries according to the Open Budget Index in 2012





Main Measures to Increase Openness and Transparency

- ❑ Public examination of draft Government Programs and implementation reports;
- ❑ Development of a system of measures taken based on monitoring results, annual expert examination and evaluation of the Government Programs, evaluation of outcomes of Government Programs public examination procedures;
- ❑ Creation of a mechanism of public control over preparation and implementation of the Russian Federation Government Programs;
- ❑ Organization of activities related to citizens' participation in the budget process within the system of disclosing information on developed draft regulatory acts in the field of public finance management, results of their public discussions;
- ❑ Full-featured work of the Single Budget System Portal of the Russian Federation;
- ❑ Regular publication of the "Citizens Budget" (Open Budget).

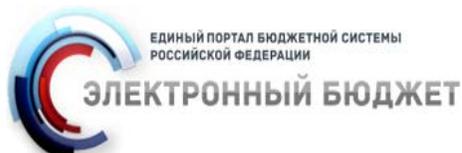


Citizens Budget Project: 2013 Implementation Results



The MoF Russia together with interested federal executive bodies and expert community representatives developed and published the first Citizens Budget to the draft federal law on the 2014 federal budget and the 2015-2016 planning period in October 2013.

On 16 December 2013, MoF Russia published an updated version of the Citizens' Budget to the Federal Law on the 2014 Federal Budget and the 2015-2016 planning period dated 2 December 2013 No. 349-ФЗ .



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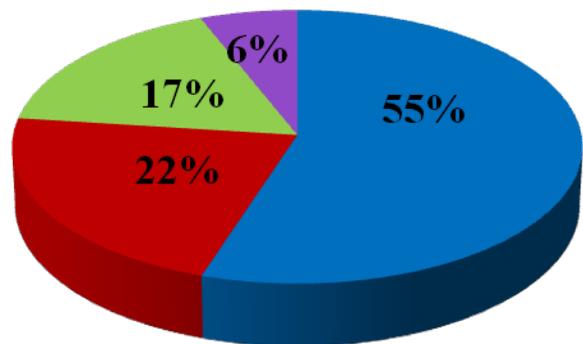
Furthermore, development of the Citizens Budget Project in 2014 will be based on the use of opportunities of the Single Budget System Portal of the Russian Federation as the main instrument ensuring transparency and openness of budgets in the budget system of the Russian Federation, the budget process and the financial situation of public legal entities for the society, as well as official source of information.

It is also planned to complement the Citizens Budget with an interactive glossary in order to unify the applied terminology, to include the most important information in the document structure targeting various categories of population.



Analysis of the Citizens Budget Preparation and Publication Experience in the Constituent Entities of the Russian Federation

Data on developed Citizens Budgets in the constituent entities of the Russian Federation in 2013

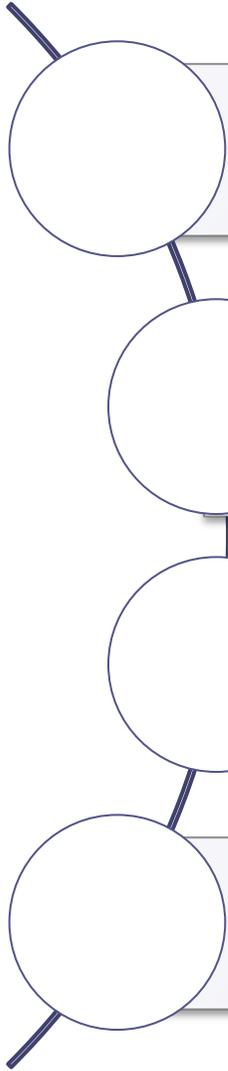


- The Citizens Budget developed (46 constituent entities of the Russian Federation)
- The Citizens Budget is under development at the moment (14 constituent entities of the Russian Federation)
- Work on preparation of the Citizens Budget is planned (18 constituent entities of the Russian Federation)
- Information not presented (5 constituent entities of the Russian Federation)

- ✓ Overall, 78 constituent entities of the Russian Federation presented information on the activities related to preparation of the Citizens Budget to the MoF Russia.
- ✓ A number of constituent entities of the Russian Federation have many years of experience in presenting information to citizens in a readily understandable format, including in Krasnodar Territory since 2005, in Krasnoyarsk Territory since 2008, in Altai Territory since 2010.
- ✓ Citizens Budgets are presented in the form of PPTs and booklets, as well as in the form of information resources (portals) or separate sections of those.
- ✓ Citizens Budgets are prepared and published at the municipal level (Citizens Budget booklets have been developed in 14 municipalities of Ryazan Province, materials for draft local budgets have been prepared in Krasnodar Territory and Nenets Autonomous District).



Possible Areas of Cooperation between Russian MoF with Regional Financial Authorities and Expert Community on Improvement of Citizens Budgets



Organizing best practices exchange in preparing Citizens Budgets at the regional and local level

Improving the practice of developing methodologies for open budget index (rating) of constituent entities of the Russian Federation and municipalities and their monitoring

Creating a system of incentives for implementation of Citizens Budgets at the local level (introduction of indicators on availability and quality of Citizens Budgets in budget expenditure performance and regional finance management quality evaluation methodologies)

Developing the practice of using per unit and per capita budget revenue and expenditure indicators compared to similar indicators in other constituent entities of the Russian Federation (municipalities)



Main Areas of Activity on the Citizens Budget Project in 2014

1.	Implementation of a modular approach to the Citizens Budget format, including with further development of recommendations for regional and local levels.
2.	Implementation of activities to maximize evaluation along the Citizens Budget criterion of the Open Budget Index.
3.	Development of Guidelines for annual preparation, discussion and publication of the draft federal budget and federal budget execution report as Citizens Budgets.
4.	Improvement of visualization and expansion of information resource functionality for the Citizens Budget (interactive glossary, budget calculator, budget simulator, budget calendar, etc.)
5.	Joint work with expert and community-based organizations on identification of target groups, setting requirements for group-specific information
6.	Posting all the Citizens Budgets (federal, regional, local) on the Single Budget System Portal (www.budget.gov.ru).
7.	Implementation of the IMF Project on Assessment of Fiscal Transparency in the Russian Federation.
8.	Implementation of the World Bank Project on Promoting Increased Financial Literacy of Population and Developing Financial Education in the Russian Federation.



Main Goals and Objectives of the Public Finance Management Efficiency Improvement Program until 2018

1. Long-term sustainability and balance of the federal budget.
2. Delimitation of committed expenditure and revenue sources, ensuring sustainability and balance of regional and local budgets.
3. Full implementation of program management methods in the budget process.
4. Implementation of measures to raise public spending efficiency .
5. Adjustment of the financial resource management structure of public legal entities.
6. Improved quality of financial management in the general government sector.
7. Increased openness and transparency in public finance management