

ENHANCING EFFICIENCY OF BUDGET EXPENDITURE ACCORDING TO RUSSIAN EXPERIENCE

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Abstract

This article is devoted to the research on the theoretical issues of the Russian practice of enhancing efficiency of budget expenditures. In addition, the author has researched the views of economists on the issues of enhancing the efficiency of budget expenditures and developed relevant proposals.

Key words: budget, funds, expenditures, revenue, optimization, financing.

In order to make efficient decisions on enhancing efficiency of budget expenditures in our country, it is appropriate to comprehensively study foreign practices. Efforts to raise the efficiency of budget expenditures vary from country to country, and several foreign practices have been introduced to achieve this goal. One notable approach is the adoption of performance-based budgeting, which aims to link budget allocations to the achievement of specific results or indicators. This practice is targeted at increasing responsibility, transparency and efficiency in the use of public funds.

The Concept “On approval of the concept of raising efficiency of budget expenditures in 2019-2024” was approved by the Resolution of the Government of the Russian Federation dated January 31, 2019 No. 117-r.

In addition to the areas that need further improvement, which are shown and implemented in the Russian Federation in its concept, the specific features of the advanced foreign experience in public finance management are as follows:

- introduction and continuous review of budget expenditures;
- participation of citizens in the budget process;
- development of a long-term (strategic) planning system of budget investments;
- increase of the completeness and quality of public sector financial reporting;
- digitization of the public administration system and budget process.

In order to ensure the long-term balance and stability of the budget system of the Russian Federation, a number of measures have been implemented in recent years, in particular, a new structure of “budget rules” aimed at creating a basis for ensuring more stability and predictability of economic and financial conditions, reducing their dependence on external

factors, improving investment activity and increasing potential growth rates of the gross domestic product has been enacted.

The budget rule is a mechanism that redistributes income from the export of raw materials. Its main task is to reduce the impact of commodity prices on the country's economy. In Russia, this mechanism was initially aimed at protecting the budget from the impact of oil price changes. The purpose of the budget rule is to reduce the dependence of the state budget and the ruble exchange rate on changes in oil prices.

The first budget rule developed by the Ministry of Finance appeared in Russia in 2004. In general, in the period from 2004 to the beginning of 2022, four versions of the budget rule were developed in Russia. At the beginning of 2022, due to sanctions, the budget rule was suspended and it was decided to use the collected oil and gas revenues to finance the expenditure¹.

Deviation from the norms of the budget rule in the past and current years can be called a positive experience of the budget policy of the Russian Federation. The advantage of the budget policy implemented in 2022 and especially in 2023 is that it was possible to move away from previous stereotypes about the need to maintain a budget surplus and limit spending. Budget spending is now absolutely necessary to drive the economy on a growth trajectory, which includes attracting private investments.

According to A. Kudrin, after the implementation of the budget rules, Russia along with the USA, Canada, Japan, France and Norway, joined the countries where the growth of expenses exceeded the growth rate of the economy. He emphasized that the application of budget rules does not guarantee the stabilization of budget expenditures and the non-increase of the debt burden (Kononova, 2023).

In the Russian Federation, the "expenditure review" tool is widely used to raise the efficiency of expenses. Review of budget expenses means a systematic analysis of the main (fixed) budget expenses aimed at identifying and comparing various options for saving budget funds, choosing and implementing the most optimal of them. The purpose of the review of expenses is not their optimization, but to free up underutilized resources to direct them to priority tasks (Resolution, 2019).

The positive aspects of the review of budget expenditures:

maintaining the optimal size and composition of expenditures for the implementation of functions and obligations of a permanent nature with the account of the current social, market, technological and other realities;

encouraging budget managers to seek internal reserves to optimize budget expenditures in order to ensure financing of the priority directions of the government policy;

abandoning the traditional planning of budget allocations without constant assessment of the expediency and relevance of relevant activities, their implementation mechanisms and

¹New fiscal rule: how it works and what it means for the yuan and dollar. <https://quote.ru/news/article/63be8a839a79478a60e73436>. 3.06.2023.

financial support, results and the availability of alternative means to achieve the government policy goals;

minimizing the practice of linear reduction of budget expenditures in case of deterioration of the budget balance;

in the long term in the future - to keep the structure of budget expenditures in the closest position to the optimum in terms of financial and socio-economic expediency;

determination of target optimization values based on the results of the review of budget expenditures in each of the selected areas (in percentages of the total amount of budget funds in the relevant field).

A significant difference between the review and the current activity of finding ways to reduce expenditures and/or evaluate their effectiveness is that the review of expenditures is primarily a process of identifying and comparing the use and savings of budget funds. Here are some of the key questions that should be answered by the reviews:

how economically it was possible to achieve a certain goal, get the planned result;

how else to achieve the goal without spending budget funds or spending them in a minimal amount.

It can be concluded that the application of the review of the budget expenditure tool to the practice of our country raises efficiency of the use of budget expenditure .

As it is obvious from the experience studied above, various methods are used to enhance efficiency of budget expenditures. In conclusion, in order to raise efficiency of budget expenditures, we believe that it is appropriate to use the positive aspects of such methods as the review of budget expenditures, budget rules, and monitoring of budget expenditures, which are used in foreign practice.

ReferenceS:

1. Resolution (2019) of the Government of the Russian Federation dated January 31, 2019 N 117-r "On approval of the concept of raising efficiency of budget expenditures in 2019-2024".
2. Kononova V. (2023) The analyst assessed the role of the Russian authorities in shifting from the norms of the budget rule. <https://1prime.ru/finance/20230515/840595880>.