



2021

# EXCEPTION REPORT

on Execution of the Federal Budget  
and the Budgets of State  
Non-Budgetary Funds

in January – September 2021

(Key Takeaways)

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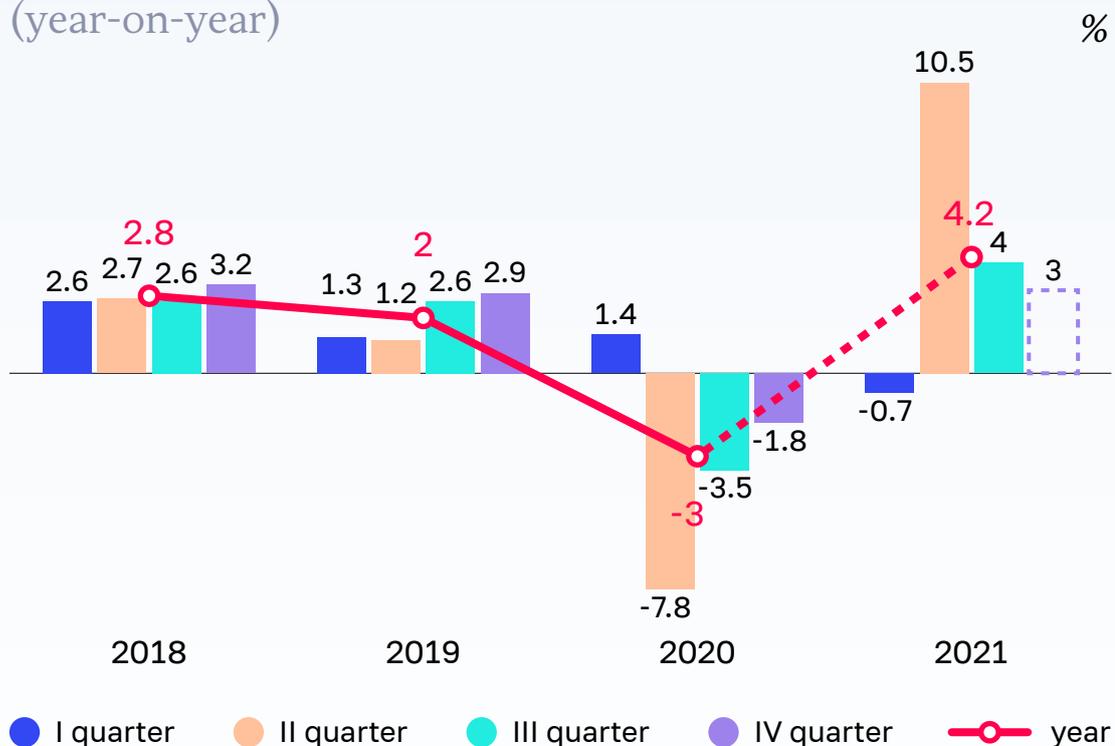
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## Section I. Analysis of Progress in Federal Budget Execution in January – September 2021

- 1) In 3Q 2021, the Russian economy continued its recovery and, even though the growth rate was slowing down, developments in the real sector of the economy demonstrated a stabilizing trend. With regard to the basic premises of economic performance, the period of January – September 2021 showed generally positive momentum in terms of oil prices coupled with volatility of the national currency exchange rate. In January – September 2021, the price of Urals crude oil was mostly rising, averaging \$66.0/bbl over the first nine months of the year. Optimism on the oil market is chiefly prompted by fundamental drivers, i.e., rising demand with continued limitations on the supply side. The Russian Ruble grew slightly stronger in 3Q 2021, the average exchange rate to the US Dollar being 74.0 RUB over the 9-month period. The inflation rate was 5.3% by the end of September 2021, and 7.4% year on year (September 2021 vs. September 2020).

### GDP growth rate 2018–2021 (year-on-year)



3Q 2021 – assessment by the Russian Ministry for Economic Development

4Q 2021 – estimate based on reporting data and predicted GDP growth rate in 2021

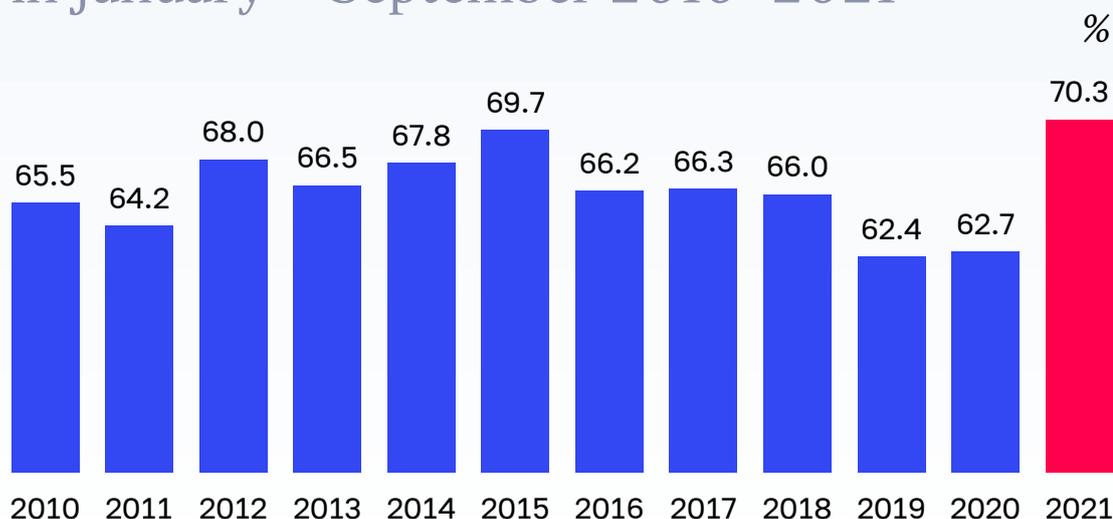
- 2) Total federal budget revenues amounted to 17,922.9 bn RUB, or 95.5 % of the forecast sum, making 75.4 % of the expected estimate, which includes oil and gas revenues of 6,184.8 bn RUB, or 103.3 % of the forecast total revenues, and non-oil and gas revenues of 11,738.1 bn RUB, or 91.9 % of the forecast total revenues.

This level of revenue execution compared to the forecast amount is chiefly explained by the following drivers: a high economic growth rate (GDP growth in nominal terms, recovery of the economy and market conditions in the oil and gas, steel and coal sectors, growing profits of profitable businesses and increased receipts from businesses in the steel, chemical and financial sectors, as well as from wholesale and retail businesses), the rising price of Urals crude oil, growing USD/RUB exchange rate, and increased taxable imports.

Compared to the equivalent period of 2020, federal budget revenues went up by 4,706.2 bn RUB, or 35.6% including in terms of oil and gas revenues by 2,330.8 bn RUB, or 60%, and in terms of non-oil and gas revenues by 2,375.4 bn RUB, or 25.4 %.

- 3) The volume of summary budget breakdown with revisions as of 1 October 2021 amounted to 23,432.3 bn RUB, surpassing the expenses approved by Federal Law No. 385-FZ by 1,912.2 bn RUB, or 8.9 %. The above surplus was chiefly formed by the balance of funds left from 2020 intended for use in 2021 for the same purposes (402.5 bn RUB), the balance of funds moved to the Reserve Fund of the Russian Federation Government (663.0 bn RUB), as well as by the increase in the Russian Government Reserve Fund to the extent of oil and gas revenues due to changes in Russia's forecast social and economic development (689.5 bn RUB) and payment of charges for the harm caused to water bodies, including the payment by JSC Norilsk-Taimyr Energy Company (145.8 bn RUB).
- 4) Cash expenditure amounted to 16,470.8 bn RUB, or 70.3 % of the summary budget breakdown with revisions, which is slightly higher than the execution level over the past 16 years.

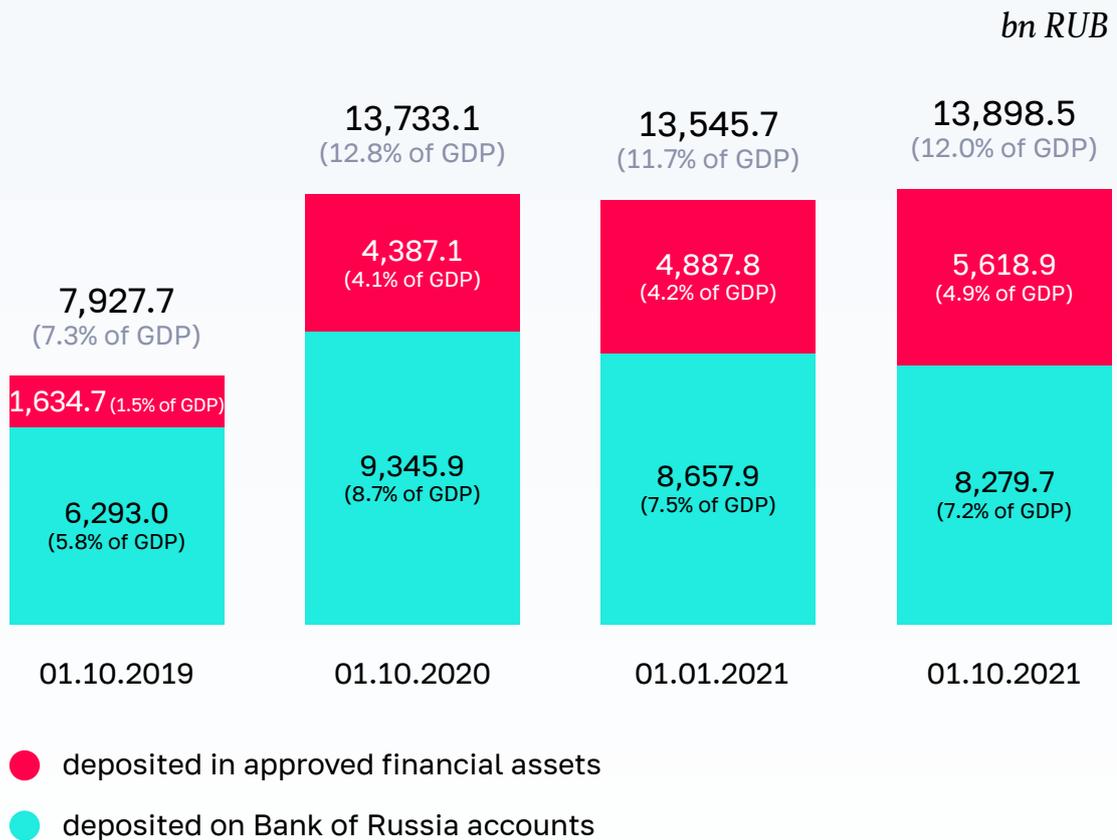
## Cash execution of expenditure in January – September 2010–2021



- 5) Proceedings from expenditures executed as of 1 October 2021 and budgetary appropriations of the summary budget breakdown with revisions, the volume of expenditure in 4Q 2021 should amount to 6,961.5 bn RUB. Estimates by the Accounts Chamber and data from the Russian Federal Treasury indicate that budget obligation limits of 595.1 bn RUB (2.7% of provided limits) have not been distributed among the spenders (recipients) of budgetary funds, budget obligation limits of 229.4 bn RUB (1% of the summary budget breakdown with revisions) have been blocked, a total of 853.9 bn RUB in budget obligations have not been accepted, and budget obligations under government contracts and agreements with Russian regions and legal entities of 2,783.8 bn RUB have not been fulfilled.
- 6) The Government Commission for Budget Spending Optimization and Efficiency Improvement is taking steps to make execution of federal budget expenditure more uniform and reduce the risks of its non-execution. Specifically, a series of decisions were made in August – September 2021 on redistribution of budget appropriations for 2021 and for the planning period of 2022 and 2023 in the amount of 93.7 bn RUB, as well as on channeling 0.7 bn RUB into the Russian Government Reserve Fund.
- 7) The summary budget breakdown was amended to increase the Russian Government Reserve Fund by 1,942.7 bn RUB and use budget appropriations of 2,038.6 bn RUB. Given its statutory volume (107.0 bn RUB), the Reserve Fund amounted to 11.1 bn RUB as of 1 October 2021.
- 8) The majority of the money from the Russian Government Reserve Fund was used for inter-budgetary transfers to the budget of the Russian Pension Fund for one-off payments to pension recipients (433.4 bn RUB), one-off payments to children and people with disabilities (204.5 bn RUB); for inter-budgetary transfers to the budget of the Social Insurance Fund (147.8 bn RUB), transfers to territorial mandatory medical insurance funds (124.6 bn RUB); for building and reconstructing roads and other road management activities (210.7 bn RUB).
- 9) The federal budget was executed with a surplus of 1,452.1 bn RUB. The internal sources of finance amounted to (-) 1,436.2 bn RUB, and external sources to (-) 15.9 bn RUB. Procurement of internal government loans amounted to 2,287.9 bn RUB, or 62.4% of the statutory volume, and repayment of such loans amounted to (-) 539.0 bn RUB, or 54.7%.  
  
The forecasts of cash receipts and disbursements anticipate cuts in the Internal Lending Program down to 1,806.6 bn RUB through a reduction in the volume of placement down to 2,792.8 bn RUB. The loan procurement rate was 81.9% compared to the forecast.  
  
Furthermore, total demand at the OFZ federal loan bond offering auctions shrank by 29.2% and interest yield on OFZ-PD bonds with a fixed coupon yield offered at 57 out of 67 completed auctions increased to 5.55% to 7.50% per annum (versus 4.77% to 6.78% per annum in the equivalent period of 2020).

10) The National Wealth Fund in Ruble equivalent went up by 352.9 bn RUB, or 2.6% to a total of 13,898.5 bn RUB (12.0% of GDP), including NWF money placed on Bank of Russia accounts totaling 8,279.7 bn RUB (7.2% of GDP), and invested in other financial assets – 5,618.9 bn RUB (4.8% of GDP). The total amount of NWF money used was 14.1 bn RUB, including 11.1 bn RUB used to finance the federal budget deficit, and 3.0 bn RUB to co-finance pension savings.

## National Wealth Fund performance history

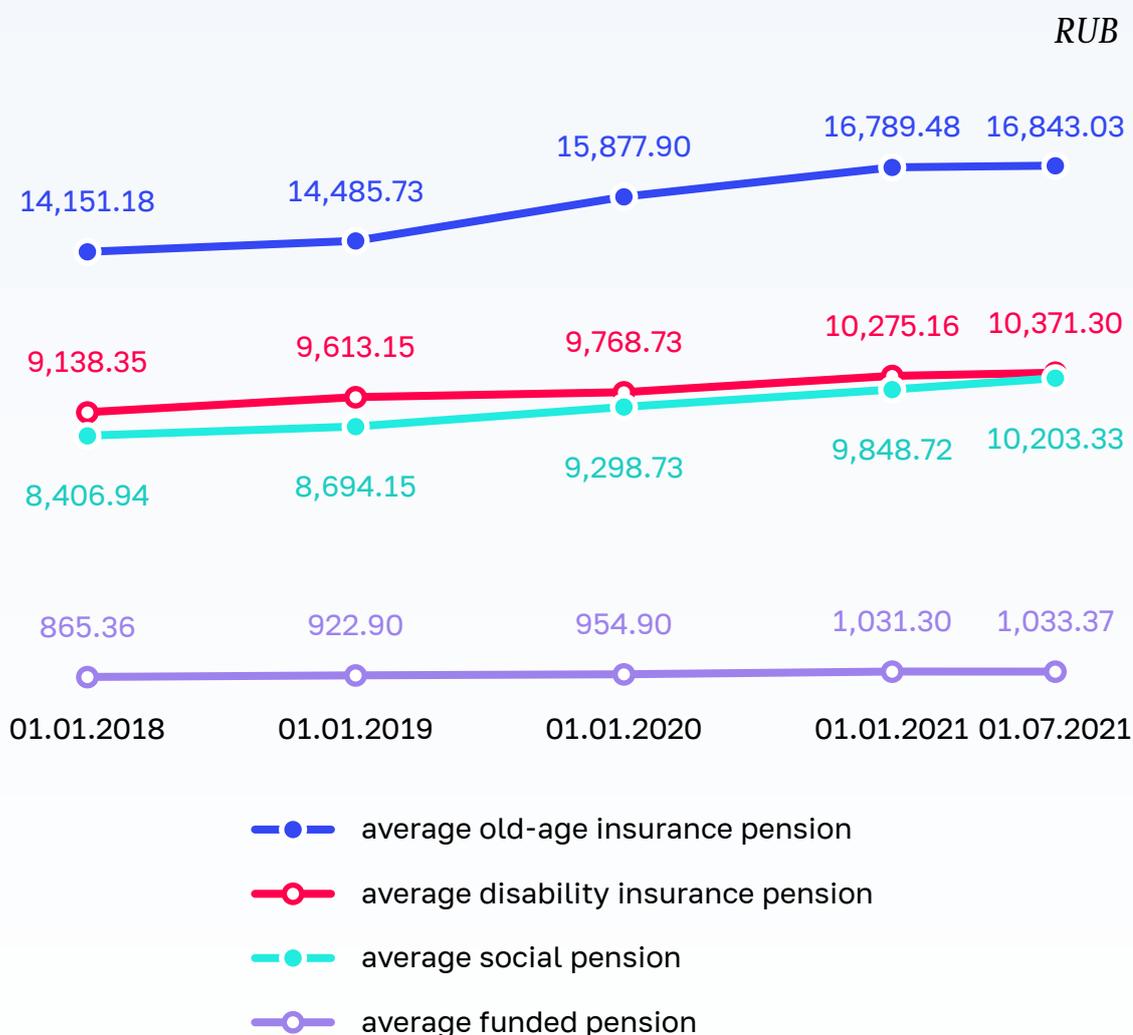


## Section II. Analysis of Progress in Execution of the Russian Federation Pension Fund Budget in January – September 2021

- 1) Execution of the budget of the Russian Pension Fund (RPF) during the first nine months of 2021 remained within planned performance targets. During the analyzed period, the RPF was granted new powers to pay monthly allowances to women who registered for observation at a medical facility during early pregnancy, monthly allowances to single parents of a child aged 8 to 17, as well as one-time allowances to school-aged children, people with disabilities and those who are physically challenged and are studying under basic educational programmes. In September 2021, the RPF made a one-off payment of 10.00 thsd RUB to all pension recipients.
- 2) The RPF budget received a total of 7,322,822.35 m RUB (80.5% of forecast amount) in January – September 2021. This was 172,718.60 m RUB (2.4%) more than in the first nine months of 2020. The revenue growth is explained by the increase in receipts of insurance pension contributions.
- 3) The amount insurance pension contributions received in total was 4,264,078.73 m RUB, which is 358,506.46 m RUB (9.2%) more than in the equivalent period of 2020. The received insurance pension contributions accounted for 75% of their forecast annual amount. The share of insurance pension contributions in RPF revenues rose by 3.6% to a total of 58.2%.
- 4) The total debt to the RPF budget in terms of insurance pension contributions in January – August 2021 increased by 30,332.53 m RUB (+11.4%), reaching 296,163.93 m RUB as of 1 September 2021.
- 5) From the federal budget, the RPF budget received 3,023,888.07 m RUB (90.3% of the forecast annual amount). This was 183,592.83 m RUB (5.7%) less than in the equivalent period of 2020. The share of federal money in RPF revenues dropped from 44.9% in the first nine months of 2020 to 41.3% in the first nine months of 2021. The majority of the money received (63%) consisted of transfers intended for payment, which are financed out of the federal budget, as stipulated by Russian law. The Pension Fund received 368,647.93 m RUB (24.8%) less in inter-budgetary transfers channeled for payment of insurance pensions in the first nine months of 2021 than in the equivalent period of last year.
- 6) The amount of summary budget breakdown of the RPF budget for the first nine months of 2021 increased by 712,837.57 m RUB (+7.4%) to a total of 10,309,520.80 m RUB as of 1 October 2021.

- 7) A total of 7,444,652.02 m RUB (72.2% of the amount of summary budget breakdown of the RPF budget) was spent in January – September 2021. The amount of spending increased by 333,093.59 m RUB (4.7%) compared to the equivalent period of last year.
- 8) Spending on insurance pensions went up by 194,671.03 m RUB (+3.6%), which is explained by the increased amount of insurance pensions paid to retired pensioners due to their indexation by 6.3%, as well as the decrease in the number of employed recipients of insurance pensions by 324 thousand who started receiving the insurance pension after retiring in consideration of all previously missed indexations.
- 9) The average old-age insurance pension as of 1 July 2021 was 16,843.03 RUB, and the average old-age insurance pension of retired pensioners was 17,550.44 RUB.

## Dynamics of average pensions



- 10) From 1 August 2021, the RPF reassessed the pensions of 10.28 m pensioners who worked in 2020. Insurance pensions of employed pensioners were increased.

- 11) Spending on distribution of maternity (family) capital (MFC) went up by 91,868.47 m RUB (+43.8%) in the first nine months of 2021 year-on-year. Total MFC expenditures amounted to 301,599.37 m RUB in 2021. The number of families with children who received an MFC certificate fell by 116.62 thousand (-12.8%) compared to the equivalent period of 2020. The number of applications for disposal of MFC funds increased by 270.67 thousand (+33.4%). A total of 11,666.00 thousand families with children, including 393 thousand families with a single child, have received MFC certificates as of 1 October 2021 since the start of the MFC programme.
- 12) Spending on monthly cash payments (MCP) increased by 7,185.77 m RUB (+2.4%). The growth in spending is explained by the increased MCP amount due to its indexation by 4.9% in April 2021. At the same time, the number of MCP recipients went down by 405.90 thousand (-2.7%) compared to the equivalent period of 2020.
- 13) The first nine months of 2021 showed low cash expenditure execution on procurement by the RPF of real estate property and on investing in capital construction projects (13.8% of the summary budget breakdown) and on professional training, retraining and career enhancement of RPF staff (26.3%). There was no spending on applied social policy research.
- 14) In the first nine months of 2021, the RPF budget was executed with a deficit of 121,829.67 m RUB. The overall balance on the Federal Treasury accounts of the RPF budget went down by 120,460.80 m RUB (-13.3%) to 785,811.57 m RUB as of 1 October 2021.

## Section III. Analysis of Progress in Execution of the Russian Federation Social Insurance Fund Budget in January – September 2021

- 1) The key aspect of execution of the Russian Federation Social Insurance Fund (SIF) budget in 2021 is the termination of the offset mechanism in connection with public benefits. Starting this year, territorial SIF agencies grant and pay public benefits in all Russian regions. Employers pay insurance contributions to the SIF budget in the full assessed amount.
- 2) On 1 February 2021, all public benefits and welfare payments were adjusted for inflation by 4.9%.
- 3) In January – September 2021, the SIF budget received revenues of 882,823.56 m RUB (108.2% of the revenues approved by Federal Law No. 390-FZ “The Budget of the Russian Federation Social Insurance Fund for 2021 and the Planning Period of 2022 and 2023” dated 8 December 2020 (hereinafter Federal Law No. 390-FZ, or the Law on SIF Budget 2021)). Compared to the equivalent period of 2020, revenues went up by 276,091.48 m RUB (+45%), which is explained by receipt of inter-budgetary transfers from the federal budget and the Russian Government Reserve Fund, which did not happen in the equivalent period of 2020.
- 4) The inter-budgetary transfers received from the federal budget and the Russian Government Reserve Fund amounted to 393,596.43 m RUB, which is 8.7 times more than in the equivalent period of 2020 and 2.6 times more than the amount approved by the Law on SIF Budget 2021. Such transfers increased owing to receipts intended for payments to individual social categories amid the COVID-19 pandemic, for balancing the SIF budget, for offsetting the revenue shortage caused by reduced insurance contributions for mandatory social insurance in the event of temporary disability and maternity (TD&M), and for allocation of subsidies to legal entities and sole traders to support employability of unemployed persons.
- 5) Insurance contributions for two types of mandatory social insurance amounted to 534,553.10 m RUB (75.3% of the forecast amount) in January – September 2021. They increased by 7,177.13 m RUB (+1.4%) compared to the equivalent period of 2020. Insurance contributions account for the bulk of SIF revenues at 60.6%.
- 6) The SIF transferred payables to insurance contribution payers (reimbursement of expenditures on paying benefits in 2020 and in earlier periods) in the amount of 56,741.63 m RUB (42.8% of accounts payable accrued at the beginning of 2021).

- 7) The total debt to the SIF budget in terms of insurance contributions for TD&M insurance increased by 2,276.93 m RUB (+19.3%) from the beginning of the year and amounted to 14,082.83 m RUB as of 1 September 2021 and, in terms of insurance contributions for occupational injury and disease (OI&D) insurance (based on the data that SIF had at the time this Exception Report was drawn up), by 2,081.35 m RUB (+18.3%), reaching 13,471.39 m RUB as of 1 July 2021.
- 8) Provision for insurance contributions for OI&D social insurance amounted to 37,029.54 m RUB as of 1 January 2021. Earnings from depositing them with banking institutions amounted to 477.96 m RUB (27.2% of forecast earnings).
- 9) The total budget appropriations under the SIF summary budget breakdown (hereinafter the SBB) were 1,140,134.50 m RUB as of 1 October 2021, having increased by 306,841.19 m RUB (+36.8%) since the beginning of the year.
- 10) In January – September 2021, the SIF spent a total of 890,339.65 m RUB (78.1% of the SBB amount). This was 243,138.05 m RUB (1.4 times) more than in the equivalent period of 2020.
- 11) As in 2020, the majority of spendings intended for welfare payments accrue to social insurance for TD&M. The most significant increase in spendings in connection with this type of insurance was attributed to payment of temporary disability benefits. Relevant spendings in the first nine months of 2021 amounted to 364,214.20 m RUB (110.3% of the amount approved by the Law on SIF Budget 2021).
- 12) Cash expenditures for provision of rehabilitation facilities to people with disabilities amounted to 24,039.88 m RUB (56.8% of the amount approved by the SBB). The total value of government contracts for procurement of rehabilitation facilities concluded in 2021 amounted to 26,266.78 m RUB (62% of the sum allocated in the SBB – 42,333.03 m RUB).
- 13) As of 1 October 2021, there were 518.19 thousand people on the waiting list for health resort vouchers. In the first nine months of 2021, vouchers for health resort treatment were distributed to 126.98 thousand people (1.7 times more than in the equivalent period of last year).
- 14) In January – September 2021, the SIF budget was executed with a gap of 7,516.08 m RUB. The balance on SIF budget accounts fell by 8.3% from the beginning of the year and amounted to 83,227.95 m RUB as of 1 October 2021.

## Section IV. Analysis of Progress in Execution of the Russian Federation Federal Mandatory Medical Insurance Fund Budget in January – September 2021

- 1) In January – September 2021, the Federal Mandatory Medical Insurance Fund (the Fund, MMIF, or FOMS) took actions to exercise its budget powers in the context of the new coronavirus outbreak (COVID-19) and related aspects of revisions to the statutory documents applicable to government support measures ensuring financial stability of healthcare organizations.

According to FOMS records (based on the current data provided by territorial mandatory medical insurance funds (TFOMS)), the total financial support for medical treatment of confirmed and/or suspected cases of new coronavirus disease (COVID-19), which includes all possible types of healthcare service, amounted to 360.9 bn RUB in the first nine months of 2021, which is 142.8 bn RUB more (+65.5%) that in the first six months of 2021 (218.1 bn RUB).

In particular, financial support for medical treatment of patients with COVID-19 at the expense of MMIF at full-time inpatient facilities amounted to 341.8 bn RUB (35.2% of the total financial support for such medical treatment in the first nine months of 2021), which is 133.0 bn RUB more (+63.7%) than in the first six months of 2021 (208.8 bn RUB).

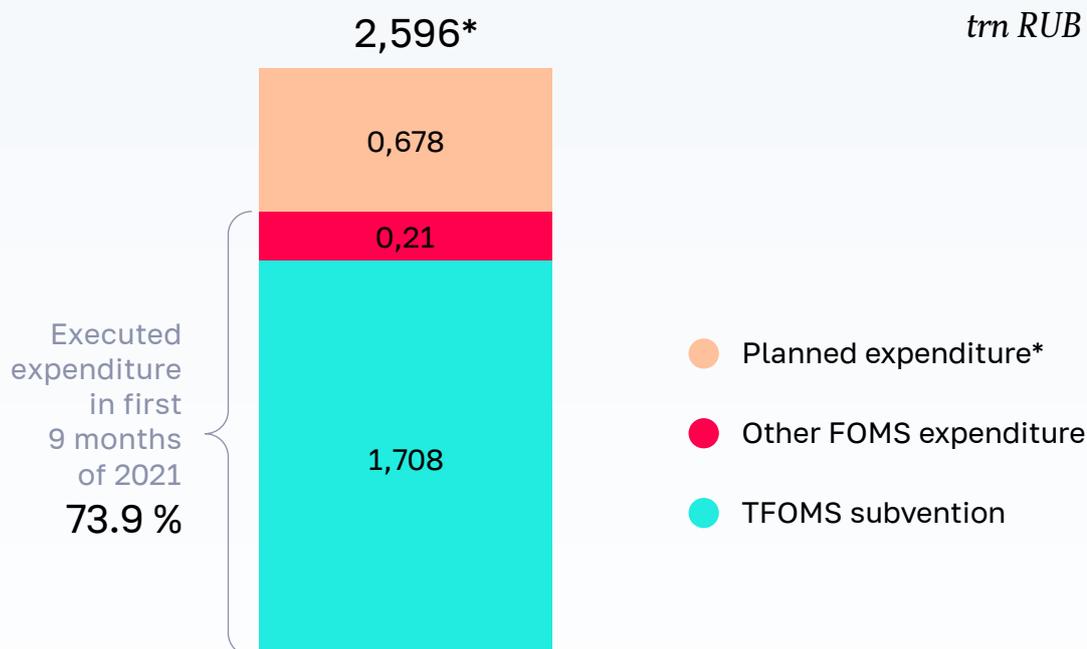
Admissions to full-time inpatient facilities for all types of healthcare service in the first nine months of 2021 totalled 17.5 m, expenditures amounting to 970.1 bn RUB, including confirmed and/or suspected cases of COVID-19 – 2.7 m admissions (15.4% of all admissions in the first nine months of 2021), which is 1.2 m more (+80.0%) than in the first six months of 2021 (1.5 m admissions).

- 2) FOMS budget revenues in the first nine months of 2021 were executed in the amount of 1,959,650.6 m RUB (77.3% of the forecast annual amount approved by Federal Law No. 391-FZ<sup>1</sup>), which is 169.035.7 m RUB more (+9.4%) than in the equivalent period of 2020 (1,790,614.9 m RUB).
- 3) The bulk of all revenues into the FOMS budget for the first nine months of 2020 and 2021 (85.6% in 2020 and 85.2% in 2021) is attributed to insurance contributions for mandatory medical insurance; the proportion of receipts administered by the Federal Tax Service of Russia in the overall total revenues of the FOMS was 54.1% and 55.3%, respectively.

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1. Federal Law No. 391-FZ «On the budget of the Mandatory Medical Insurance Fund for 2021 and planning period of 2022 and 2023» dated 8 December 2020.

## FOMS expenditure execution



\* - according to Summary Budget Breakdown (annual plan)

- 4) The FOMS budget expenditure in January – September 2021 was executed in the amount of 1,917,837.0 m RUB (75.3% of the approved annual amount), which is 149,976.1 m RUB more (+8.5%) than in the equivalent period of 2020 (1,767,860.9 m RUB).
- 5) The bulk of expenditure (99.9%) executed by the Fund in the reporting period is attributed to spendings under section 09 «Healthcare» (1,917,136.1 m RUB). Most of this spending (89.0%) was attributed to the Fund's expenditure of granting subventions to TFOMS budgets (also, Fund subvention) as a way of providing financial support to ensure mandatory medical insurance in constituent territories of the Russian Federation, which amounted to 1,707,618.4 m RUB, or 75.0% of the approved annual amount (2,276,824.5 m RUB), which is identical to the execution level in the first 9 months of 2020 (75.0%).
- 6) As of 1 October 2021, the Fund's current budget surplus amounted to 41,813.6 m RUB, assuming that budget deficit in the amount of 11,574.7 m RUB was approved for 2021 in general.

As a result, the remaining balance on the Fund's account as of 1 October 2021 increased by 41,812.8 m RUB compared to the balance at the beginning of 2021 (68,628.2 m RUB) and amounted to 110,441.0 m RUB.

