



2021

Key Takeaways from  
the Findings of the  
Accounts Chamber of  
the Russian Federation  
concerning the  
Draft Federal Budget  
for 2022–2024

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# 1. Parameters of the Outlook of the Socioeconomic Development of the Russian Federation for 2022–2024

**1.1.** The Ministry of Economic Development of Russia developed the Socioeconomic Development Outlook (SEDO) amid economic recovery of Russian and global economies, positive oil price dynamics, the ruble's relative weakness, and accelerating inflation, which was reflected in the paper's final indicators.

The outlook itself has two scenarios: the base one and the conservative one, which accords with the approved Procedure for Outlook Development (the base scenario contains “principal trends and parameters of economic development amid conservative changes in the external situation,” while the conservative scenario is “based on conservative estimates of economic growth pace with account for possible deterioration of the external economic situation”).

Both scenarios envision the global economy rebounding faster than expected. Key indicators' dynamics is adjusted with account for current trend compared to Scenario Terms submitted to the Government of the Russian Federation in July 2021.

The Accounts Chamber of the Russian Federation (hereinafter the Accounts Chamber) notes that, as in the 2020 Outlook, the difference between the base and conservative scenarios is small, development trends are similar, while several indicators have all the features of a target scenario.

For instance, in the Chamber's opinion, the GDP growth has a target quality; in 2022, 2023, and 2024 it is estimated at 3%. Since the SEDO predicts the global economy growth slowing to a little under 3% after 2024, such an estimate accords with the national goal of ensuring GDP growth at an above global average pace as established in Presidential Order No. 474 of July 21, 2021 (hereinafter Order No. 474).

Increased pace of investment in core assets from 4.5% to 5.3% in 2021–2024 also reflects the need to achieve the “Real growth of investment into core assets of no less 70% compared to the figure for 2020” set in Order No. 474.

In both scenarios, inflation is indicatively set at 4%. In its remarks, the Accounts Chamber noted that predicted inflation constitutes a target indicator that is annually set in all SEDO scenarios regardless of external conditions and risks.

In its findings concerning draft federal budget laws, the auditing agency has repeatedly indicated that the base and conservative scenarios need to be diversified pursuant to the Procedure for Outlook Development. It appears that the base scenario should not include elements of target scenarios. The conservative scenario should account for possible risks of external conditions deteriorating, and it is expedient to develop the scenario itself as a risk or stress scenario. Alternatively, the Ministry of Economic Development of Russia could additionally develop such scenarios upon its own initiative.

In the Accounts Chamber's opinion, it is expedient to go back to calculating a target scenario eliminated in 2019; this scenario envisioned achieving national goals. It will require the Procedure for Outlook Development to be amended accordingly.

It should also be noted that the outlook's individual indicators are not synchronized with the principal documents of the strategic planning in the Russian Federation while the SEDO itself does not contain such important indicators listed in Order No. 474 as poverty level and real pension amount.

**1.2.** In the part pertaining to preconditions, the global GDP dynamics in 2021–2024 listed in the medium-term outlook generally corresponds to outlooks proposed by international organizations, although it envisions a growth that is slightly higher than the most relevant outlooks.

The outlook for Urals oil production and prices for 2021 accounts for the changes to the OPEC+ deal effective since August. Predicted oil prices appear to be somewhat underestimated (USD 62.2–55.7 per Urals barrel in the base scenario in 2022–2024).

Outlook horizon up to 2024 envisions excessive supply growth as the principal risk for oil prices; with oil prices remaining relatively high (USD 55–60 per barrel) for a protracted period of time, such supply may be supported by shale oil producers. On the other hand, by mid-2021, accumulated oil reserves have been exhausted, and it should delay a drop in oil prices due to an oversaturated market.

In the medium-term outlook, the low-carbon agenda is viewed as an oil prices pressure factor. However, it is the Accounts Chamber's opinion that, due to the energy transition being extended over time and due to the carbon tax being imposed only since 2023, this factor's impact will extend beyond the outlook timeframe.

Oil prices will be buoyed, in turn, by increased consumption prompted by economic recovery (especially in developing countries and countries with transit economy) and by OPEC's policy.

As regards the ruble's exchange rate, the base scenario expects it to become stronger up to RUR 72.1/ USD 1 in 2022 with subsequent weakening by 2024 back to the 2021 exchange rate (RUR 73.6 / USD 1). The medium-term outlook does not sufficiently explain which factors will influence the national currency dynamics within the outlook horizon. Given the dynamics of principal macroeconomic indicators, one can suppose that in 2022 the ruble will be buoyed by a stricter monetary policy, expanding trade balance (up to 10 % of the GDP in 2022), relatively high oil prices, and increased investment and capital influx.

Both medium-term outlook scenarios contain the hypothesis that the inflation will go back to the target value (4 %) in 2022 (base scenario) and in 2023 (conservative scenario) with the target level further subsisting throughout the outlook horizon.

At the same time, the inflation estimate in 2021 appears to be overly optimistic – 5.8% (in base scenario). Additionally, consumer price index components in the medium-term outlook will be growing steadily and in proportion to the population’s spending patterns which serve as the foundation for calculating the inflation indicator, which appears to be the benchmark.

**1.3.** Despite uncertainty factors in global economic development, the 2022–2024 SEDO envisions Russian economy growing steadily by 3% a year after the rebound of 2021.

In the base scenario of the medium-term outlook, the economic growth will take place amid increased oil production in OPEC+, expanding domestic consumer demand prompted by steady growth of the population’s real disposable income and domestic investment demand. Achieving the GDP growth rate envisioned in the medium-term outlook also requires efficient implementation of measures stipulated in the national programs of the Russian Federation, national projects, and strategic initiatives of the Government of the Russian Federation. A mandatory condition for achieving target economic growth rate is their full implementation, which creates risks of failure to achieve predicted GDP growth rates. The medium-term outlook notes that the tightening of monetary policy implemented in 2021 will have a restraining influence on economic growth. Another condition for implementing the base scenario is investing the liquid part of the Russian National Wealth Fund (RNWF) in excess of 7% of the GDP already in 2022. However, draft Principal Areas of the Unified State Monetary Policy (PAUSM) does not include such an option. The Bank of Russia views spending the funds from the RNWF as an inflation risk in the medium-term outlook. Postponing the investment of RNWF funds will result in lower GDP growth pace than predicted in the conservative scenario.

**1.4.** The medium-term outlook considers consumer and investment demand to be the principal source of economic growth in the medium-term outlook.

Measures intended to expand the economy’s investment potential, including investment of the liquid part of the RNWF in excess of 7% of the GDP, should become the principal stimulus for accelerating the growth of investment into core assets. However, the medium-term outlook lacks information on the manner, specific projects, and the amounts of RNWF funds to be invested. Additionally, the medium-term outlook does not contain information on the mechanism for attracting both domestic investment resources and foreign investment. The principal instruments for re-launching the investment cycle are not listed either, including the relevant initiatives of the Government of the Russian Federation. There is no information on implementing large-scale investment projects planned for the medium-term outlook. In the opinion of the Accounts Chamber, a detailed substantiation for the prediction of an outstripping investment growth is required.

Additionally, in the opinion of the Accounts Chamber, the growth pace for investment imports and industrial manufacturing envisioned in the base medium-term outlook scenario will not ensure stated investment growth rate for 2023–2024, since for the period stated, the dynamics of investment into core assets and indicators of industrial manufacturing and investment import growth are uncoordinated.

**1.5.** The medium-term outlook cites growing consumer demand as the second most important factor in economic growth.

Those income sources that have dropped the most in 2020, namely, property and entrepreneurial income, are supposed to be growing at an outstripping pace. These population income sources constitute an insignificant share of the overall revenue structure. Outside crisis periods, the total contribution of these components was about 11 %, their share in the medium-term outlook will constitute 10.7 % only in 2024. In the opinion of the Accounts Chamber, even accelerated growth of property and entrepreneurial income can hardly become a full-fledged driver of sustainable growth for both real disposable income and overall consumer demand.

Additionally, the medium-term outlook envisions the dynamics of the population's real disposable income in 2022–2024 below retail turnover dynamics (2.4–2.5 % vs. 2.8–2.9 %). In the opinion of the Accounts Chamber, outstripping consumption growth is possible with decreased savings rate and (or) accelerated expansion of consumer lending. However, a sharp drop in propensity to save amid the continuing pandemic is unlikely (from 9.8 % of the population's disposable income in 2020 to 3.8 % in 2024) as envisioned in the medium-term outlook.

**1.6.** In the part analyzing the PAUSM for 2022 and for the period of 2023 and 2024, the Accounts Chambers notes the following. The Bank of Russia has developed the base outlook scenario and three risk scenarios of economic development for the medium-term outlook. Most scenarios envision preserving moderately strict monetary policy and ensure maintaining macroeconomic stability.

Under the Bank of Russia's base scenario, following the rebounding growth of 2021 by 4–4.5 % in 2021, Russia's economy will revert in 2022 to the potential growth rate of 2–3 % and will remain at that level for the rest of the outlook horizon. Normalization of the monetary policy will be conducive to these developments. In the opinion of the Bank of Russia, the key interest rate of 5–6 % in 2023–2024 will shape a favorable environment for the national economy growing at the potential level.

## 2. The principal parameters of budgets in the budget system of the Russian Federation

The dynamics of the principal parameters of budgets in the budget system of the Russian Federation for 2022–2024 is characterized by a decrease in revenues in the GDP by 2024 compared to 2021 from 35.9 to 33.9 % and in spending from 36.3 to 34.3 %.

In 2022, the revenue part in the budgets in the budget system in the GDP compared to the previous year is dropping by 0.4 %, by 0.7 % in 2023, and by 0.9 % in 2024. The spending part is also dropping annually by 1.6, 0.1, and 0.3 % respectively.

In 2022 and 2023, the budgets in the budget system of the Russian Federation are slated to have surplus that will decrease in 2023 compared to 2022 from 0.9 % of the GDP to 0.2 % of the GDP, and will have a deficit of (-) 0.4 % of the GDP in 2024.

The spending in the budgets in the budget system of the Russian Federation broken down by expenditure classification in 2022–2024, as in previous years, demonstrates the highest volume of spending on social policies kept at the level of 11.1–11 % of the GDP.

Education spending in 2022–2024 remains at the level of 2021 (3.8–3.7 % of the GDP). Health spending drops from 4.1 % of the GDP in 2021 to 3.7 % of the GDP in 2024, national economy spending will drop from 5.1 % of the GDP in 2021 to 4.5 % of the GDP in 2024. Total spending on national defense, national security, and law enforcement will remain at the level of 2021: 4.7 % of the GDP on average in 2022–2024.

In nominal terms, spending in the budgets in the budget system of the Russian Federation increases in 2022 compared to 2021 by RUB 1,038.5 bn., or 2.3 %. At the same time, spending compared to 2019, i.e. before the pandemic, demonstrates a more significant increase: by RUB 9,612.1 bn., or 26.3 %.

Spending on national economy, education, health, and social policy in absolute terms demonstrate a greater increase than spending on national defense, national security, and law enforcement.

### 3. Principal parameters and specific features of the draft federal budget for 2022 and the planning period of 2023 and 2024

The draft law is based on the base outlook scenario of the socioeconomic development of the Russian Federation for 2022 and the planning period of 2023 and 2024.

The principal characteristics of the federal budget for 2022–2024 were developed with account for the projected amendments to Para. 3 of Article 199 of the Budget Code of the Russian Federation in the part pertaining to adjusting the fiscal rule. These amendments stipulates on the ongoing basis the increase in the spending limit of the federal budget at 0.5% of the GDP, which evidences a return to stable parameters of the fiscal rules.

Additionally, adjustment to budget appropriations for the Federal Road Fund is excluded from the calculations of the federal budget spending limit.

Draft Federal Law No. 1258306-7 “On Amending the Budget Code of the Russian Federation and Individual Legal Acts of the Russian Federation and on Introducing Specific Features of Budget Performance of the Budgets in the Budget System of the Russian Federation in 2022” containing said adjustments was submitted by the Government of the Russian Federation to the State Duma simultaneously with the draft federal law “On the Federal Budget for 2022 and for the Planning Period of 2023 and 2024.”

In the part pertaining to the predictions for the federal budget revenue, the draft law was developed with the provisions in Para. 1 of Article 1741 of the Budget Code of the Russian Federation<sup>1</sup> being suspended. Under these provisions, budget revenue is predicted on the basis of the prediction for socioeconomic development of a territory in accordance with such legislation on taxes and levies, such budget legislation of the Russian Federation, and such legislation establishing non-tax revenue of the budgets in the budget system of the Russian Federation as are in effect as of the date of submitting the draft law (decision) to the legislative (representative) body and adopted as of date indicated and coming into effect in the next fiscal and planning period.

It should be noted that the provision establishing time limits for amending the legislation on taxes and levies and the budget legislation in such a manner as to alter the revenue of the budget system of the Russian Federation, has been suspended 12 times counting the amended version (four times between 2009 and 2012, eight times running between 2014 and 2021). The Accounts Chamber has repeatedly drawn attention to this fact in its findings. The draft federal budget envisions annual decrease in the revenue part of the GDP – from 19.1% in 2021 to 17% in 2024 and of the spending part: from 19.3% to 17.4% respectively. The federal budget is planned with a surplus in 2022–2023 (of 1% and 0.2% of the GDP respectively) and with a deficit of (-) 0.3% of the GDP in 2024.

In 2022–2024, the non-oil and gas deficit will total 6.2–6.0% of the GDP, which is significantly less than in 2020: 8.7% of the GDP.

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1. Federal Law No. 247-FZ of July 1, 2021 “On amending the Federal Law ‘On Amending the Budget Code of the Russian Federation and Individual Legal Acts of the Russian Federation and on Introducing Specific Features of Budget Performance of the Budgets in the Budget System of the Russian Federation in 2021’ and Individual Legislative Acts of the Russian Federation.”

## 4. Federal budget revenue in 2022–2024

**4.1.** Under the draft law, the federal budget revenue in 2022 is predicted at RUB 25,021.9 bn., which is RUB 1,239.6 bn., or 5.2 %, more than estimated revenue in 2021, RUB 25,540.2 bn. in 2023, which is RUB 518.3 bn., or 2.1 %, more than in 2022, RUB 25,831.8 bn. in 2024, which is RUB 291.6 bn., or 1.1 %, more than in 2023.

Oil and gas revenue is predicted to increase in 2022 compared to 2021 from 6.8 to 7.2 % of the GDP, and in 2023, it is predicted to drop to 6.5 %, and in 2024 to 5.7 %. This is linked to the predicted gradual falling of Urals oil prices and to the changing production patterns in favor of preferential taxation regimes.

As regards non-oil and gas revenues in 2022–2024, their share in the GDP is projected to fall slightly from 11.6 to 11.4 %.

In 2022–2024, the share of oil and gas revenue in the overall federal budget revenue is also dropping from 38.1 to 33.2 %, the share of non-oil and gas revenue is increasing from 61.9 to 66.8 % respectively.

The predicted increase in non-oil and gas revenue stems from increased receipt of principal taxes (VAT, corporate income tax), mostly due to the nominal growth of the GDP; expanding basis of taxation with increasing tax exemptions for foreign trade; increased volumes and changed structure of imports; weaker ruble compared to the US dollar; rebound in the profits of profit-making organizations after they have dropped significantly in 2021 amid the lockdown measures; increased collection of dividends on stocks owned by the Russian Federation; and in connection with expected improvements in economic dynamics, additional revenue from adjusting taxation of individual economic sectors and implementing measures taken to improve administration and increase collection of taxes.

**4.2.** The overall effect the amendments to the legislation of the Russian Federation and the regulatory acts of the Government of the Russian Federation will have for the federal budget revenue in 2022 will total RUB 293.2 bn. (0.2 % of the GDP), RUB 264.1 bn. in 2023 (0.2 % of the GDP), RUB 506.4 bn. in 2024 (0.3 % of the GDP).

Amendments introduced by Federal Law No. 305-FZ of July 02, 2021 “On Amending Parts One and Two of the Tax Code of the Russian Federation and Individual Legislative Acts of the Russian Federation” in the part pertaining to excise duties and to taxes on mining natural resources are having a significant influence on the federal budget’s revenues.

Assessment of the changes to the federal budget revenue in 2022–2024 pursuant to amendments to the legislation of the Russian Federation and regulatory acts of the Government of the Russian Federation has not accounted for all the legislative acts currently being developed that envision amendments that could influence the federal budget revenue.

For instance, on September 29, 2021 the Government of the Russian Federation approved submitting to the State Duma the draft law “On Amending Chapter 251 of Part Two of the Tax Code of the Russian Federation” stipulating new rates of levies for using aquatic biological resources excluding aquatic mammals.

The Ministry of Agriculture (Minselkhoz) of Russia estimates that passing this law will increase tenfold (from RUB 2.2 bn. to RUB 21 bn.) revenue the budget system of the Russian Federation receives from levies for using aquatic biological resources. Revenue from levies for using aquatic biological resources are allocated at the rate of 20 % to the federal budget and 80 % to the budgets of constituent entities of the Russian Federation.

In the Accounts Chamber estimation, adoption of this draft law will provide additional federal budget revenue in 2022–2024 in the amount of RUB 2.3–2.4 bn. annually, and additional revenue for the Russian Federation’s constituent entities in the amount of about RUB 9.2–9.4 bn. annually.

**4.3.** The materials submitted along with the draft law lack algorithms for calculations for 12 types of income with total predicted revenue in 2022 of RUB 785.0 bn. with the following breakdown: RUB 693.0 bn. in revenue from dividend on stocks owned by the Russian Federation constitute; RUB 51.7 bn. in revenue from releasing tangible assets from the state reserve. In 2023 and 2024, revenue for which there are no calculations total RUB 795.6 bn. and RUB 779.7 bn. respectively.

In 2022, predicted revenue for which there are no calculations totals 3.14 % of the entire predicted revenue amount, 3.11 % in 2023, and 3.02 % in 2024, which evidences insufficient transparency of the makeup of the federal budget revenue.

According to the Ministry of Finance of Russia, four sources of revenue for which there are no calculations contain classified information. For 2022, these revenues total RUB 753.5 bn., or 95.8 % of total revenue reflecting only predicted data; RUB 742.1 bn. for 2023 (93.1 %); RUB 723.6 bn. for 2024 (92.6 %).

Given the classified information the Ministry of Finance conveyed to the Accounts Chamber concerning revenue in the forms of dividends on stocks owned by the Russian Federation and other non-tax federal budget revenue, the draft law provides predicted figures without indicating a calculation algorithm for 10 types of revenue, with predicted collection in 2022–2024 totaling RUB 67.5 bn., 38,4 bn. and 32,4 bn., or 0.27, 0.15, and 0.13 % of the predicted revenue respectively, which is significantly less than in the previous budget cycle.

The draft federal budget for 2021–2023 with account for similar classified information did not contain calculations on 14 types of revenues with predicted revenues of RUB 343.2 bn., 147.5 bn., and 147,7 bn., or 1.8, 0.7, and 0.7 % respectively.

**4.4.** In order to comply with the recommendations of the Accounts Chamber, the Ministry of Finance of Russia Work instructed principal revenue administrators on aligning the revenue prediction methodologies with General Requirements.

In 13 out of 81 principal revenue administrators,<sup>2</sup> i.e. in 16 % of cases, draft methodologies for predicting revenue (draft methodology amendments) do not comply with General Requirements.

There are following principal systemic breaches of General Requirements: incorrect application of prediction methodologies; applying calculation algorithms without accounting for outcomes of collecting outstanding amounts; failure to apply unified approaches to predictions in the current fiscal, next fiscal, and planning periods; failure to provide predictions on all income classification codes used to calculate predicted revenue.

**4.5.** Analysis of information on the register of the federal budget revenue sources for 2022 and for the planning period of 2023 and 2024 submitted as part of draft law materials has not been formed on the basis of the list of revenue sources. It is non-compliance with Para. 2 of the Procedure for forming and maintaining a federal budget revenue list.

The register of the federal budget revenue sources includes revenue sources administered by Russia's Federal Agency for Ethnic Affairs and Single Construction Customer public not-for-profit organization absent from the list of revenue sources. Additionally, the register of federal budget revenue sources in the part of revenue administered by the Federal Taxation Service of Russia has duplicate revenue sources and revenue sources without a registry number.

**4.6.** There are instances of non-compliance with the "Procedure for federal authorities (government bodies), management bodies of state extrabudgetary funds of the Russian Federation, the Central Bank of the Russian Federation forming substantiation of predicted federal budget revenue" as approved by Order No. 128n of the Ministry of Finance of Russia of July 29, 2016.

**4.7.** There are the following potential reserves for increasing federal budget revenue: adopting effective measures for collecting outstanding mandatory payments into the budget; collecting additional taxes assessed pursuant to review; improving the quality of customs control performed by customs agencies.

Despite the measures adopted, significant accounts receivable remain due. As of July 1, 2021 accounts receivable on revenue increased by more than RUB 667 bn., or 20.7%, compared to January 1, 2021, totaling RUB 3,894.3 bn.

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2. Federal Service for Supervision of Natural Resources, Federal Service for Supervision of Healthcare, Ministry of Education of Russia, Ministry of Agriculture of Russia, Federal Accreditation Service, Federal Service for Intellectual Property, Federal Service for Technical Regulation and Metrology, Federal Penitentiary Service of Russia, State Duma of the Federal Assembly of the Russian Federation, Accounts Chamber of the Russian Federation, Prosecutor General's Office of the Russian Federation, Investigative Committee of the Russian Federation, Rosatom.

The following agencies account for the highest revenue accounts receivable: the Federal Taxation Service of Russia (27.8 % of the overall accounts receivable), the Federal Agency for Forestry (25.2 %), the Federal Agency for State Property Management (18.1 %), the Federal Bailiff Serviced of Russia (9.9 %), the Federal Agency for Rail Transport (9.2 %), and the Federal Customs Service of Russia (3.3 %).

The principal reasons affecting the accumulation of accounts receivable are the following: decreased solvency of taxpayers; taxpayers failing to make current payments and additional tax assessed pursuant to desk and on-site tax reviews; accounting registers reflecting future period revenue for the entire validity of lease agreements for forest land parcels that are mostly leased for 49 years; lessee insolvency including for reasons of lessee enterprise bankruptcy; non-compliance with provision of exemptions on customs payments; misleading statements of commodities' cost.

Implementing an action plan (roadmap) on improving the administration of revenue of budgets in the budget system and increasing the efficiency of outreach concerning accounts receivable on the 2019 revenue allowed taxation bodies to expand their options of applying tax credits regardless of the type of tax and levy, of refunding state duties, including through the Single Portal of Governmental Services and Functions. Approaches were developed with a view to simplifying payments into the budgets of the budget system of the Russian Federation using the unique identifier of charges for payments for governmental and municipal services; the provision of information on outstanding amounts through the State Information System on Governmental and Municipal Payments.

“Roadmap” measures intended to improve administration of the budget system revenue and increase the efficiency of collecting accounts receivable are geared toward creating the conditions for “formalizing” the economy, stimulating voluntary and timely payment of taxes and other amounts due (including by natural persons), improving the efficiency of collecting outstanding amounts and preventing uncollectable accounts from emerging, improving the process of making payments, of administrating, and of information-related interactions.

**4.8.** The Accounts Chamber estimates that the reserves on collecting tax and non-tax revenue with account for the shortfalls risks in 2022 may total RUB 41,026.2 million, revenue shortfalls risks for 2023 are RUB 891.1 million, and RUB 1,018.7 million in 2024.

## 5. Federal budget spending in 2022 and for the planning period of 2023 and 2024

**5.1.** Federal budget spending in 2022 will total RUB 23,694.2 bn., which is RUB 363.8 bn., or 1.5 % (1.4 % in real terms) less than the year before; RUB 25,241.1 bn., or an increase of RUB 1,546.9 bn., or 6.5 % (6.3 % in real terms) in 2023; and RUB 26,354.4 bn., or an increase of RUB 1,113.3 bn., or 4.4 % (4.2 % in real terms) in 2024.

Conditionally approved spending will total RUB 631 bn., or 2.5 % of overall spending, in 2023 and RUB 1,317.7 bn., or 5 % of overall spending, in 2024.

Compared to spending in 2022 and 2023 approved in the previous budget cycle, the draft law increases federal budget spending in 2022 by RUB 1,809.2 bn., or 8.3 %, and by RUB 1,569.8 bn., or 6.6 % in 2023.

In 2022, federal budget spending will increase compared to 2019, i.e. before the pandemic, by RUB 5,479.8 bn., or 30.1 %.

Total federal budget spending for 2022–2024 was calculated in accordance with the provisions of Para. 3 Article 199 of the Budget Code of the Russian Federation (the fiscal rule). With account for planned amendments in the part pertaining to amending the fiscal rule, the increase in maximum spending will total RUB 666.6 bn. in 2022, RUB 709.4 bn. in 2023, and RUB 757.6 bn. in 2024.

**5.2.** There have been no significant changes to the functional structure of the federal budget spending in 2022–2024.

The 2022–2024 federal budget spending structure broken down by budget spending classification appropriates the greatest amount of spending for social policy with a downward trend in the planning period (4.4 % of the GDP in 2022–2023, 4.2 % of the GDP in 2024).

Education spending in 2022–2024 remains at the 2021 level (0.9 % of the GDP). Health spending is dropping from 1.1 % of the GDP in 2021 to 0.8 % of the GDP in 2024, spending on national economy is dropping from 2.9 % of the GDP in 2021 to 2.3 % of the GDP in 2024. Total spending on national defense, national security, and law enforcement remains at the 2021 level: 4.6 % of the GDP on average in 2022–2024.

**5.2.1.** The following decreases in federal budget spending will take place in 2022 compared to 2021 (hereinafter the present section contains indicators from the consolidated budget financing report as of September 1, 2021): national economy by RUB 151.9 bn., or 4.2 %; social policy by RUB 371.0 bn., or 6 %; health by RUB 116.8 bn., or 8.6 %; education spending is increasing slightly by RUB 89.6 bn., or 7.8 %.

At the same time, compared to the pre-pandemic year 2019, the indicated expenses increase significantly: by RUB 634.8 bn., or 22.5 %, by RUB 955.0 bn., or 19.6 %, by RUB 532.5 bn., or 74.7 %, by RUB 410.5 bn., or 49.7 %, respectively.

5.2.2. The 2022 federal budget breakdown by agency (public part) assigns the largest budget appropriations to the Ministry of Finance of Russia, the Ministry of Defense of Russia, the Ministry of the Interior of Russia, the Ministry of Labor of Russia, that for the chief controllers indicated will, in 2022 total 59 % of the overall budget appropriations.

Generally, budget appropriations in 2022 are stipulated for 92 chief controllers.

In 2022, budget appropriations increase of more than 10 % compared to 2021 is stipulated for five chief controllers, and an increase of more than 20 % for five chief controllers, of them by 1.5 times for the Federal Guard Service, and by 1.3 times for the Ministry of Natural Resources and Environment and the Federal Agency for Water Resources.

A drop in 2022 budget appropriations compared to 2021 is stipulated for 60 chief controllers. A drop of more than 10 % in budget appropriations is stipulated for 36 chief controllers, of them by 72.4 % for the Central Election Committee of Russia, by 59.9 % for the Ministry of Economic Development of Russia, by 58.1 % for the Federal Service of State Statistics, by 47.9 % for the Federal Assay Chamber.

In absolute terms, the greatest increase in expenditures in 2022 compared to 2021 (public part) is envisaged for the Ministry of Finance of Russia: by RUB 681,3 bn., or 9.7 %; for the Ministry of Labor of Russia by RUB 80.4 bn., or 9.6 %; for the Ministry of Science and Higher Education of Russia by RUB 49.4 bn., or 8.6 %; for the Ministry of Defense of Russia by RUB 48.8 bn., or 2.5 %; for the Ministry of Agriculture of Russia by RUB 48.1 bn., or 15.4 %; for the Federal Road Agency by RUB 44.6 bn., or 37.8 %; for the Ministry of Industry and Trade of Russia by RUB 38.2 bn., or 5.5 %.

5.2.3. The Accounts Chamber notes the necessity to increase the level of cash expenditure performance of the federal budget and, respectively, to reduce the “transferable” remaining balance of the federal budget.

At year-end 2020, the level of federal budget expenditure performance was 95.7 %. Unredeemed budgetary appropriations totaled RUB 1,020.9 bn. The highest amounts of unredeemed budgetary appropriations has been uncovered in the following budgetary classification section: “General State Matters” (RUB 443.4 bn., of them the reserve fund of the Government of the Russian Federation RUB 410.6 bn.), “National Defense” (RUB 139.3 bn.), “National Security and Law Enforcement” (RUB 117,2 bn.).

As of September 1, 2021, expenditure performance on the sections indicated is 54.7 %, 53.9 %, and 56.5 % respectively with overall federal budget performance at 62.4 %.

Pertaining to the outcome of the federal budget performance in 2020, remaining balance to be used in 2021 for the same purposes totaled RUB 601.9 bn., of them RUB 221.5 bn. for performance on obligations on concluded government contracts to be paid for in 2021.

The draft law envisages an increase in contracted expenditures (public part) by RUB 285.3 bn. compared to the 2020 performance indicator, or by 12 %, totaling RUB 2,646.5 bn. in 2022. As of September 1, 2021, the level of performance on the expenditures indicated was 49.4 %, which is 13 % below the average overall federal budget expenditure performance.

At year-end 2020, expenditure performance (public part) was 93.7 % for the Federal Agency for Water Resources; 94.5 % for the Ministry of Finance of Russia; 95.9 % for the Ministry of Industry and Trade of Russia; 97.7 % for the Ministry of Labor of Russia; 98.2 % of the Ministry of Natural Resources and Environment of Russia.

As of September 1, 2021, the level of expenditure performance (public part) was 61.7 % for the Ministry of the Interior of Russia; 44.7 % for the Federal Guard Service; 30.1 % for the Ministry of Natural Resources and Environment of Russia; 45.9 % for the Federal Agency for Water Resources; 54.8 % for the Ministry of Agriculture of Russia; 56.8 % for the Russian Road Agency; 61.6 % for the Ministry of Industry and Trade of Russia.

**5.3. Reserves (public part) in 2022 will total RUB 1,109.1 bn., or 4.7 % of the overall federal budget spending; RUB 1,195.3 bn., or 4.7 %, in 2023; and RUB 1,338.5 bn., or 5.1 %, in 2024.**

Compared to the previous budget cycle, reserves in 2022 are increased by RUB 421.6 bn., or 1.6 times, and increased by RUB 382.7 bn., or 1.5 times in 2023.

The Accounts Chamber notes that large amounts of reserves are not reallocated during budget implementation, and the remaining balance of the reserve fund of the Government of the Russian Federation is increased.

Thus, at year-end 2020, undistributed budget appropriations reserves (public part) totaled RUB 422.0 bn., which is RUB 187.7 bn. more than the remaining balance in 2019, of them unused monies from the reserve fund of the Government of the Russian Federation total RUB 410.6 bn., which is RUB 241.2 bn. more than the remaining balance in 2019.

Budget appropriations reserves for which Article 21 of the draft law sets no reserve areas total RUB 99.8 bn. in 2022, RUB 110.9 bn. in 2023, and RUB 127.9 bn. in 2024, of them RUB 23.8 bn. in 2022, RUB 45.4 bn. in 2023, and RUB 55.4 bn. in 2024 are intended to implement long-term measures under the National Action Plan ensuring recovery of population's employment and income, economic growth, and long-term structural changes to the economy.

## 6. Sources for financing federal budget deficit; the National Wealth Fund; the sovereign debt of the Russian Federation and costs of servicing the debt; foreign debt claims of the Russian Federation

**6.1.** Draft federal budget for 2022 has been developed with a surplus of RUB 1,327.7 bn. (1 % of the GDP), RUB 299.1 bn. (0.2 % of the GDP) for 2023, and with a deficit of (-) RUB 522.7 bn. (0.3 % of GDP) in 2024.

**6.2.** In 2022–2024, sources for financing the federal budget deficit are planned in the amount of (-) RUB 1 327,7 bn., (-) RUB 299.1 bn., and RUB 522,7 bn. respectively.

Domestic governmental borrowings of the Russian Federation will become the principal sources for financing deficit in the next three years.

**6.3.** Methodologies for predicting revenue as approved by the principal administrators of financing sources for budget deficit need to be fine-tuned.

The Accounts Chamber believes it expedient to describe the procedure of calculating the predicted amount for each type of revenue or discharges for sources of financing the budget deficit. That will make it possible to estimate their volume.

**6.4.** There are no predictions on accounts receivable and payable in managing the remaining balance in the single budget account, which accords with the legislation of the Russian Federation. There are no foreign currency purchases with additional oil and gas revenue in budget appropriations substantiations, but the predicted values are accounted for in the sources for domestic financing of the federal budget deficit. However, there should be relevant substantiation for including this indicator into sources of financing the federal budget deficit.

**6.5.** Sources of financing the federal budget deficit are stipulated in the amount of (-) RUB 1,194.1 bn. (-0.9 % of the GDP) for 2022, (-) RUB 39.4 bn. (-0.03 % of the GDP) for 2023, and RUB 579.9 bn. (0.4 % of the GDP) for 2024.

Analysis of the sources yielded the following findings.

Balance on public securities in 2022 will total RUB 2,199.5 bn.; mobilization of resources is planned in the amount of RUB 3,259.7 bn., the figures are RUB 2,664.1 bn. and RUB 3,436.1 bn. in 2023 and RUB 2,672.2 bn. and RUB 4,123.8 bn. respectively.

Planned amount of funds for redeeming public securities will total 32.5 % of total resources mobilized in 2022, 22.5 % in 2023, and 35.2 % in 2024.

**6.6.** The draft law envisages sources of foreign financing for federal budget deficit in the amount of (-) RUB 133.6 bn. for 2022, (-) RUB 259.7 bn. for 2023, (-) RUB 57.3 bn. for 2024.

In accordance with Principal trends in the part pertaining to debt policy, public foreign borrowing will, as before, be carried out largely for the purpose of Russia's presence on the international capital market and for maintaining target cost of borrowing in foreign currency for Russian companies. Placing public securities of the Russian Federation in foreign currency in 2022–2024 is envisaged at the 2021 indicator level (USD 3.0 bn.) set by Federal Law No. 385-FZ.

As of September 30, 2021, external bond loans of the Russian Federation were placed on international capital markets for the overall amount of 1,500.0 million euro (equivalent to USD 1,827.0 million).

**6.7.** In 2022–2024, the public debt of the Russian Federation is planned to increase from RUB 22,104.1 bn. (17.8 % of the GDP) in early 2022 (estimate) to RUB 31,939.7 bn. (21.1 % of the GDP) in early 2025, or by RUB 9,835.6 bn. (44.5 %). The increase will mostly come from the increased domestic public debt of the Russian Federation from RUB 17,285.0 bn. (13.9 % of the GDP) in early 2022 (estimate) to RUB 26,342.2 bn. (17.4 % of the GDP) in early 2025, or by RUB 9,057.2 bn. (52.4 %).

The share of domestic public debt in the overall public debt in 2022–2024 will increase reaching 80.3, 81.8 and 82.5 % respectively.

However, the datasheet of the state program of the Russian Federation “Managing public finance and regulating financial markets” posits as one of the goals of the state program “preserving the ratio between the public debt of the Russian Federation and the gross domestic product at the level of no higher than 20 % until 2024.”

**6.8.** State guarantees of the Russian Federation in the currency of the Russian Federation are envisioned to be provided in 2022 in the amount of RUB 1,223.0 bn. This is the maximum amount in the last five years and it far exceeds the planned targets for 2019–2021 (RUB 30.0 bn.), while plans for 2023–2024 are RUB 30.0 bn. annually. In 2022, plans involve providing guarantee support of RUB 1,000.0 bn. to Russian legal entities for implementing infrastructural projects in transportation, construction, utilities, energy in the Russian Federation.

**6.9.** Due to increased volumes of domestic public borrowing in the Russian Federation, the draft law envisions increasing budget appropriations for servicing the domestic public debt of the Russian Federation totaling RUB 1,255.9 bn. in 2022, which is RUB 257.7 bn., or 25.8 %, more than in 2021 (estimate), RUB 1,550.9 bn. in 2023, which is RUB 295.0 bn., or 23.5 %, more than the preceding year, and RUB 1,719.4 bn. in 2024, which is RUB 168.4 bn., or 10.9 %, more than in the preceding year.

The spending on servicing the domestic public debt of the Russian Federation in the federal budget spending is increasing from 86.3 % in 2021 (estimate) to 92.4 % in 2024.

**6.10.** Spending on servicing foreign public debt of the Russian Federation will total: USD 2.05 bn. (RUB 147.5 bn.) in 2022; USD 2.08 bn. (RUB 151.4 bn.) in 2023; USD 1.9 bn. (RUB 142.4 bn.) in 2024.

**6.11.** The amount of RNWF monies in the Bank of Russia will total RUB 10,964.1 bn., or 8.2 % of the GDP, in late 2022, RUB 14,603.8 bn., or 10.3 % of the GDP, in late 2023, and RUB 17,782.9 bn., or 11.7 % of the GDP, in late 2024.

## 7. Principal parameters of the budgets of public extrabudgetary funds of the Russian Federation

Analysis of the principal indicators of the budgets of public extrabudgetary funds of the Russian Federation demonstrates increase in revenue and spending in the forecasting period in absolute terms. Revenue's share in public extrabudgetary funds in the GDP in the forecasting period is falling annually compared to the respective preceding year from 10.7% of the GDP in 2021 to 10% of the GDP in 2024, while spending decreases from 11% of the GDP in 2021 to 10.1% of the GDP in 2024.

The share of inter-budget transfers in the revenue of public extrabudgetary funds of the Russian Federation in 2022–2024 is also falling annually compared to the respective preceding year: from 33.4% of the overall revenues in 2021 to 28.2% in 2024.

The sources of financing the deficit of the Pension Fund of the Russian Federation (hereinafter referred to as the PFR in this section) in 2022–2024 will be the carry-over balances of the Fund's budget.

Statutory pension insurance transfer from the federal budget for the PFR's budget will total RUB 416.6 bn. in 2023, RUB 317.2 bn. in 2023, and RUB 107,2 bn. in 2024. Transfer for offsetting shortfall in revenue stemming from introducing reduced insurance premium rates for statutory pension insurance will total RUB 499 bn. in 2022, RUB 533.8 bn. in 2023, and RUB 570.2 bn. in 2024. The share of inter-budgetary transfers indicated in the PFR's budget revenue is falling annually in 2022–2024 (9% in 2022, 8% in 2023, 6% in 2024).

The balanced budget of the Social Insurance Fund of the Russian Federation in the part pertaining to statutory social insurance against temporary work incapacity, including maternity (hereinafter TWIM) is ensured in 2023 through using the remaining balance on statutory social insurance against TWIM and through using the remaining balance on statutory social insurance against occupational injuries and diseases as of January 1, 2023; in 2024, it is ensured through using the remaining balance on statutory social insurance against occupational injuries and diseases as of January 1, 2024.

The sources of financing the deficit of the Federal Fund of Statutory Medical Insurance in 2022–2024 will be the carry-over balances of the Fund's budget.

