

APPROVED
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PROGRAM
Of the Government of Russia
For Enhanced Efficiency of Budget Spending Till 2012

The Program of the Government of Russia for Enhanced Efficiency of Budget Spending Till 2012 (hereinafter the Program) has been developed in line with instructions in the President's State of the Nation Address to the Federal Assembly of the Russian Federation of 12 November 2009 and the President's Budget Address to the Federal Assembly of 25 May, 2009 "On budget policies in 2010 – 2012", and in line with the key ideas set forth in the Concept for Long-term Social and Economic Development of the Russian Federation till 2010, approved by GOR order № 1662-r of 17 November 2008, and the Key Guidelines for Government Activities till 2012, approved by GOR order № 1663-r of 17 November 2008.

I. Background and rationale

During the 2000s, the Government of Russia approved and implemented medium-term programs for budget reforms (Federal Treasury Development Program for 2000 -2004, Fiscal Federalism Development Program till 2005), the Budget Process Reform Concept Paper for 2004-2006, the Concept Paper to Enhance Efficiency of Intergovernmental Fiscal Relations and Management of Government and Municipal Finances in 2006-2008, and activities to reorganize the budget sector for 2003-2004.

In 2000, the Budget Code of the Russian Federation became effective. It set forth key budgeting approaches for all the levels of Russia's budget system. Gradually the Budget Code incorporated various instruments supporting implementation of budget reforms.

As a result of these reforms, a modern system of public (government and municipal) finance management was put in place in Russia by means of:

establishment of an integrated framework of fiscal relations regulation, unified principles of budgeting and clear definition of the status and authorities of budget process participants;

organization of the budget process on the basis of unconditional execution of existing spending commitments;

delineation of powers, and, respectively, of spending commitments and revenue sources among the levels of government (the government of the Russian Federation, regional and municipal governments);

elimination of “unfunded federal spending mandates” and streamlining of key social commitments;

introduction of formalized methods to allocate key intergovernmental fiscal transfers;

putting in place and development of the Federal Treasury system, which provides cash servicing of the constituent budgets of the national budgetary system, effective accounting and ex-ante control in the process of executing expenditure commitments of the Russian Federation, manages the Federal Treasury Single Account, and compiles fair and transparent consolidated government accounts;

putting in place a mechanism to save oil and gas revenues and setting a fiscal anchor to enhance fiscal sustainability and cushion external shocks;

phased introduction of performance budgeting instruments (priority national projects, performance reports, departmental earmarked programs, justifications of budget appropriations, government (municipal) assignments and projects to implement the Key Guidelines of Government Activities till 2012);

moving away from annual budgets to medium-term financial planning, including approvals of the federal budget and budgets of government extrabudgetary funds for the next fiscal year and for the planning period under the new indicative rolling budget framework for three years;

putting in place a legal and regulatory framework for the development of new forms of funding for government (municipal) services;

making rules and setting procedures for placement of orders for goods, works and services for government (municipal) needs and making this process open and transparent;

establishing a quality monitoring system for financial management by the head administrators of federal budget funds, regional and municipal governments, using competitive instruments to support fiscal reforms.

However, not all the stated plans have been implemented. The authorities failed to put into effect some legally prescribed norms, approaches and frameworks, or to sort out numerous methodological issues.

As a result, the following systemic weaknesses and outstanding issues persist in the system of public finance management:

- strategic planning remains weakly linked to budget planning, with absent assessment of the whole set of instruments (fiscal, tax, tariff, customs, regulatory), used to achieve policy objectives;

- conditions and incentives for unjustified increases in public spending persist, while government and municipal authorities and budget institutions remain unmotivated to enhance the efficiency of budget spending and their overall performance;

- expenditure composition and changes thereof are weakly aligned with policy objectives;

- there are no effective methods to assess the performance of government and municipal authorities, including how efficiently they use financial resources;

- there is no methodological consistency between planning of program and out-of-program expenditures, recurrent and capital expenditures (with the exception of federal earmarked programs);

 - government financial controls are not up to the modern standards;

 - some general government operations remain non-transparent due to continued prolongation of transitional rules;

 - cash servicing has not been extended to cover government extrabudgetary funds;

 - individual “unfunded federal mandates” persist along with unformalized (which means non-transparent) channels of getting intergovernmental fiscal transfers;

 - revenue base of regional and local budgets remains unstable given weak motivation of regions and municipalities to strengthen it;

 - utilization of performance budgeting instruments remains formal and inadequately linked to the budget process;

 - the budget institutions network continues to expand (budget institutions were transformed into autonomous institutions only in a few regions, while at the federal level they remained virtually unchanged);

 - use of government (municipal) assignments remains limited.

The need to attain long-term social and economic development goals as Russia’s budget system is adjusting to lower fiscal revenue growth, enhances the

need to develop and implement measures to improve government and municipal efficiency and to modernize public finance management in Russia.

II. Program goals and objectives

The Program's goal is to create conditions for improved efficiency of various levels of government as they perform their government (municipal) functions and provide government (municipal) services to citizens and the community at large, improve their accessibility and quality, and meet long-term priorities and goals of social and economic development.

A fundamental prerequisite for Program implementation is a balanced and sustainable budget at every government level in the long run.

To meet the Program goals, it would be necessary to build mechanisms addressing the following key objectives:

- clear delimitation of responsibilities of levels of government and of their respective constituent government and municipal agencies;

- closer alignment of strategic/ budget planning and targeting of fiscal spending with monitoring of achieved results;

- enhanced role of the federal budget in addressing modernization and innovation-based development of the Russian economy;

- putting in place conditions for enhanced efficiency of governments of various levels in their delivery of public services;

- putting in place incentives for budget process participants to enhance efficiency of budget spending and implement structural reforms;

- improvement of financial management in the public sector, including by means of borrowing and adapting corporate management instruments;

- improvement of transparency and accountability of government and municipal authorities, including by requiring publication of their performance indicators;

- closer linkages between the quantities and composition of property owned by governments of various levels and the powers of government and municipal authorities.

To address the above objectives, the following decisions are proposed to be taken in 2010 – 2012:

- to implement a program and performance approach to government and municipal operations;

- to fully implement all the budget legislation provisions as regards the three-year budgeting framework;

- to switch to program budgeting;

- to develop new forms of government (municipal) service delivery and financing;

- to reform government (municipal) financial control and develop internal controls;

- to enhance management and control instruments at every stage of government (municipal) procurement;

- to create management information technologies and environment to support management decisions and to enhance the effectiveness of public control over government operations.

Reforms of the above areas are described in respective sections of the Program. Implementation of the above measures will create organizational and legal prerequisites for enhancing the efficiency of budget expenditures in specific policy areas (economy sectors and social sphere).

III. Balanced and sustainable budget system in the long term

A balanced and sustainable budget system in the long term is an essential precondition for meeting the Program's objectives.

A predictable and responsible fiscal policy is a most important prerequisite for macroeconomic stability, which would:

- lay a foundation for sustainable economic growth, investment climate improvements, diversification and enhanced competitiveness of economic agents, proceeding from innovation-based development;

- lead to skilled job creation;

- support the achievement of the key ultimate goal of social and economic development strategy, i.e. improved standards and quality of living.

Degradation of the economic environment as a result of macroeconomic instability would inevitably lead to slower growth or, if the environment is especially unfavorable, to lower fiscal revenues in the budget system, i.e. to lower capacity of governments of various levels not only to achieve their declared long-term strategic goals, but even to meet their assumed public commitments.

Setting social and economic development goals and performance targets disregarding objectively determined fiscal deficit and government debt ceilings would result in reemergence of "unfunded mandates" (federal legal and

regulatory acts and decisions entailing extra spending for regional or local budgets) and consequently in eroded responsibility of regional and local governments and individual officials for the results of their work. This would discredit the emerging public institutions, including property rights protection, observance of statutory social guarantees, meeting contractual obligations, effectiveness of the judiciary, - all critically important for sustainable social and economic development.

If, when the fiscal space becomes uncertain, the authorities have to back on their earlier stated policy objectives, revise legislation, including the legislation prescribing social commitments, and exercise budget cuts up to reversal of existing spending commitments, cancelation or rolling over of planned activities (including approved programs), and defaulting on government contracts, this would result in lower government credibility not only as a policy-maker but also as a reliable and responsible partner in civil law relations.

Moreover, such conditions tend to significantly complicate the operations of governments of every level, eroding their accountability for setting and attaining targets and performance indicators, encouraging them to continuously bloat expenditures in the absence of clear criteria for assessing their necessity and sufficiency for addressing policy tasks in respective areas.

Therefore, to enhance the efficiency of government operations, including in fiscal policy, it would be necessary to establish and observe responsible fiscal policy principles, including the following:

- Prudent and reliable economic projections and assumptions underlying budget plans;

- Budgeting with regard to long-term projections of key fiscal parameters based on realistic estimates;

- Setting fiscal deficit and government debt targets, and reverting as the global economy stabilizes to the fiscal rules restricting the use of volatile and uncertain (depending on external conditions) revenue to finance permanent spending commitments;

- Stability and predictability of tax policies;

- A ban on linking spending envelopes to specific revenue sources in the course of budget execution;

- Complete recording and forecasting of financial and other resources that may be available as inputs for realizing government (municipal) policy goals (including budget appropriations, tax incentives, guarantees and property);

- Planning of budget appropriations on the basis of unconditional execution of current spending commitments;

Assumption of new spending commitments subject to clearly estimated budget appropriations for the whole period of execution;

Assumption of new spending commitments with regard to timeframes and implementation arrangements;

Respecting prescribed fiscal limits while assuming new spending commitments, including if earlier assumed commitments are restructured (cut) (if needed);

Consistent fiscal risk analysis and assessment, including risks arising from medium- and long-term demographic trends, changes in global economic conditions, and assumed contingent commitments;

Building up and maintaining appropriate fiscal reserves.

To further implement the above principles at the federal level the following key measures are planned:

To develop a long-term social and economic development forecast (for at least 20 years) and a long-term budget strategy for the Russian Federation;

To underpin budget planning with a conservative macroeconomic forecast;

To re-establish sequentially the fiscal rules (including the non-oil-and-gas fiscal deficit target for the federal budget and saving oil and gas revenues during upswings in global resource prices);

To assess available fiscal space for increasing undistributed expenditures of the federal budget;

To reduce the least effective types of financial aid, and concentrate more intergovernmental fiscal transfers in key priority areas;

To elaborate the format and procedures for keeping the register of spending commitments with respective links to the register of government contracts and new rules of spending commitments' adjustments; capturing in the register of spending commitments of specific features of various spending commitments, their origins, manner of assumption and life cycle up to execution;

To adopt inflation adjustment of social benefits for the reporting (current) year;

To design and implement a federal targeted investment program to include planned and attained results of investment spending, with information contained in this program to be reflected in the register of spending commitments;

For GoR, to set medium-term (for up to 6 years) indicative spending limits (targets) in various policy areas (under government programs), facilitating

more flexible use of budget appropriations to meet stated objectives and restructuring expenditures as may be initiated by respective federal executive authorities in case of need;

To formalize the procedures and criteria for initiating and making decisions as regards new (increased) spending commitments, while strengthening federal government responsibility for the accuracy of their volume and timeframe estimates;

To right-size tax incentives and, in case they are applicable under a government program, to record in this program the reasons and purposes of granting them, with subsequent regular assessments of their impact on goal achievement;

To improve the organization and methodology of projecting cash execution of the federal budget, while making head administrators of federal budget funds responsible for the quality of cash plans and meeting cash limits.

Similar principles and measures may be adopted and implemented in the regions and municipalities.

However, the federal level should be responsible for putting in place the necessary foundations for the stability of regional budgets, first of all by means of strengthening the revenue base of regional and local budgets and also by creating robust incentives for regional and local governments to further increase it.

To achieve this, the following measures are proposed:

to gradually unwind regional and local tax incentives prescribed in federal laws;

to strengthen enforcement of the requirement to pay taxes to regional or local budgets where enterprises are located, and alleviate the impact of transfer pricing seeking to prevent tax base relocations between regions;

to better tap the potential of property taxes and the land tax, and also to accelerate the real estate tax design and introduction;

to ensure access for regional and municipal financial authorities to information on how legal entities meet their taxes and other fees payable to regional and local budgets;

To strengthen the methodology and distribution of fiscal equalization subsidies to the regions, including their approval under the three-year planning framework, and to transform tax revenues shared out according to differentiated rates or norms into intergovernmental fiscal transfers;

To increase the share of fiscal transfers to the regions, approved by the federal budget law, while reducing fiscal balance support grants and budget credits to the regions;

To create a facility to keep regional and local government accounts liquid: the Federal Treasury should issue short-term budget credits, including interest-free, to regional and local governments to cover their temporary cash short-falls;

To develop methodological guidelines (standard methodologies) for projecting regional and local fiscal revenues;

To improve the levy of excises, shared according to differentiated sharing rates, so that revenue collection to jurisdictions where excise goods are sold is gradually increased;

To create instruments for saving windfall revenues of regional budgets;

To improve the efficiency of interaction among federal, regional and local government authorities while administrating taxes and other fees;

To provide the regions with broader rights to set according to uniform principles rates of sharing with local budgets of tax revenues payable to regional budgets, and also to prescribe rates of sharing with local budgets of uniform agricultural tax revenues and sole proprietors' tax revenues.

IV. Improvement of delineation of powers of different levels of government and organization of their operations

In addition to ensuring long-term fiscal sustainability essential for attainment of the objectives and tasks set forth in the Program, it is also necessary to clearly define the purviews (rights and responsibilities) and operational frameworks of the three levels of government (federal, regional and municipal).

This is a necessary precondition for eliminating overlapping and redundant functions and mandates among the government levels and among government agencies within one level, which results both in higher budget spending and in diffused responsibility for performance.

The federal legislation has already set forth a basis for operations of various levels of government.

This basis, in particular, includes rules to assume and implement spending commitments, to organize the budget process, make and execute government (municipal) contracts, public procurement rules, methods and forms of public services and organization of civil service.

In those areas where regional and local authorities independently set rules for their operations, the federal regulation should normally prescribe the overall methodology, strategic directions for development and a basis for interaction.

Further development of the federal legislation in this area should be guided by the following principles:

Regional and municipal governments should have a possibility and motivation to plan their spending commitments on their own with regard to the interests and preferences of regional (local) communities and general policy priorities in respective areas;

“Unfunded mandates” should be ruled out, as well as federal government decisions entailing revenue losses for regional and local budgets;

The system of intergovernmental fiscal transfers should be objective, formalized and transparent;

To enhance the efficiency of public management there should be incentives and if necessary penalties to enforce compliance with legally prescribed requirements and fiscal discipline.

To implement the above principles, it would be advisable, in particular:

To extend the social protection mandate of regional governments, including for targeted social assistance;

Starting from 2012, to switch financing of the police and public safety to the federal budget, while simultaneously devolving to the regional level those federal budget institutions, which do not have exclusive national responsibilities; another option is to cut intergovernmental fiscal transfers or extend regional authority through delegation of federal mandates;

To cancel the non-formalized channels of federal financial support to regional budgets;

To enhance conditionality of financial support to regional budgets through commitments not only to increase the quality of regional (municipal) finance management, but also for implementing structural reforms and improving performance;

Starting from 2012, to gradually switch to consolidation of fiscal subsidies to the regions in the key policy areas (under government programs) under joint purview, while prescribing conditions and efficiency criteria for granting them, and responsibility for the results of their use and for meeting the objectives;

Starting from 2012, to gradually reduce the number and size of subventions to regional budgets through delegation of federal mandates accompanied by devolution of respective financial resources;

To enhance the efficiency of instruments to influence regional fiscal policies with regard to their need for subsidies, including external management in case of necessity;

To monitor the management of government (municipal) debt at the regional and local levels, as regards debts of government(municipal)-owned unitary enterprises with the aim of protecting the budgets from risks of repayment obligations;

To grant intergovernmental fiscal transfers on the basis of performance evaluations of regional and local authorities, including evaluations of institutional conditions established for luring investors to the region or to the municipality.

Generally, the delineation of spending mandates is proposed to be improved and elaborated within the existing revenue sharing pattern, with some spending commitments “swapped” among budgets. However, it is necessary to address the issue of higher tax autonomy of the Russian regions and municipalities as a precondition for regional and local fiscal revenue certainty and predictability, and also for creating an enabling environment for a closer link between taxes paid by taxpayers to respective budget and the volume, quality and availability of public services (government functions), and consequently, for enhanced responsibility of government authorities for their policy outcomes.

Simultaneously, a new approach to fiscal revenue administration is planned: according to this approach, head administrators of fiscal revenues (with the exception of the Federal Tax Service), established by respective levels of government, should administer only revenues payable to the budgets of their respective levels; at the same time, the responsibility of the Federal Tax Service in its capacity of the head administrator of regional and local fiscal revenues is envisaged to be strengthened.

Now that the delineation of spending and revenue powers, started back in 2000s, has been finalized and new types of government (municipal) institutions have been established, the issue of civil legal capacity of levels of government may be raised, for there should be full clarity in civil law relations, if an entity is acting on behalf of government or on its own behalf. Participants in civil law relations need to understand how and on whose account liabilities will be met under commitments assumed by different levels of government, by government agencies or by legal entities established by them. This is a most important prerequisite for enhanced credibility of government levels not only as economic agents, but as policy-makers as well.

On the other hand, it would be necessary to consider providing a legal entity status to regional and local governments, and also to consider whether the management bodies and government establishments created by them should act only on behalf of respective government in the context of civil law relations. Most existing budget institutions, as well as autonomous institutions, should be granted the right to act on their own behalf, have their own property and revenues, including fiscal subsidies toward delivering public services.

With regard to the above, and also seeking to enhance the efficiency of government (municipal) property management, it is proposed to consider the expediency of preserving the rights of economic management and operational management as part of proprietary rights, given, *inter alia*, the possibility of providing government property on other grounds.

Besides, it is now necessary to streamline the government structure so as to centralize in specially created entities such functions (with no direct relation to public governance) as delivery of goods, works and services for government (municipal) needs, personnel training for government agencies, government construction, etc.

Implementation of this principle in public finance management on the basis of the single budget account and public financial accounting has proved effective, therefore creating conditions for its extension to other government operations.

Effective handling of the tasks outlined in this section will allow to really reduce budget spending on government and municipal administration.

V. Government programs as an instrument to enhance budget spending

A program and performance approach to government operations is proposed as an instrument to enhance the efficiency of budget spending as part of overall government efficiency.

A government program of the Russian Federation (hereinafter – government program) is a document setting forth the objective, tasks, expected results, key policies and policy instruments to attain the objectives and meet the priorities outlined in the Concept for Long-term Social and Economic Development of the Russian Federation till 2010, or a document providing for implementation within the established timeframe of large-scale activities of national or international significance.

Design and implementation of government programs shall be guided by the following general principles:

Government programs shall be designed on the basis of clearly defined long-term goals of social and economic development, indicators for these goals and measures of results;

A government authority responsible for implementation of the government program (achievement of outcomes) shall be appointed;

Government programs shall include measurable targets of two times: target outcomes, measuring satisfaction of external consumers, and target outputs, measuring the volume and quality of delivered public services projected under given assumptions;

Government programs shall cover all the areas of government operations, and, respectively, most budget appropriations and other material resources in government disposal, and shall integrate regulatory (constitutive, enforcement and control) and financial (budgetary, tax, customs, property, credit, debt and foreign exchange) instruments of attaining the goals of government programs;

Government agencies and their officials responsible for management of government programs and subprograms shall be adequately authorized to achieve program goals in line with project management principles and requirements;

The performance and efficiency of government programs shall be regularly assessed, including by external experts, including evaluation of their contribution to modernization and innovation-based development of the economy, while providing for adjustments or early termination, and also for making respective officials responsible for inefficient implementation.

Federal-level programs shall be designed on the basis of goals and targets set forth in the Concept for Long-Term Social and Economic Development of the Russian Federation till 2020, and other strategic documents approved by the President and Government of the Russian Federation.

Strategic goals will be linked with medium-term objectives from the Key Guidelines for the Activities of the Russian Government, to set forth priority social and economic tasks for the medium-term period.

The composition of subprograms and their planned outputs and outcomes will be defined in the respective government program, while budget appropriations will be approved in the federal budget law.

Additionally, government programs may also provide for extra spending commitments exceeding budget commitments' limits to be approved by decisions of the President or the Government of the Russian Federation. Therefore, it is possible to make long-term government contracts (for specific projects and facilities). Moreover, government contracts for over 3 years may be

concluded in relation to facilities indicated in government and federal earmarked programs.

Responsibility for the development and implementation of federal-level government programs will be with the federal authorities.

At the ministry level, strategic and operational planning may be achieved via the existing performance reports, modified in line with the new tasks. The same instrument may be advisable to use as performance report to be published and posted on the web-site.

To implement the above approaches it would be necessary:

1) to approve procedures for government program design, implementation and performance assessment allowing for adjustments should the need arise to the procedures of project implementation under the Key Guidelines of Activities of the Government till 2012, the procedures of federal earmarked program design and implementation and design and implementation of international earmarked program with the Russian Federation participating;

2) to draw the list of government programs and organize project preparation for government programs, reflecting the following key issues:

Rationale behind the goals and tasks of the program, its contribution to the attainment (meeting) of long-term objectives (priorities) of social and economic development of the Russian Federation;

Due diligence, a review of current and projected trends and key problems in respective areas;

Projections of program outcomes measuring the targeted state, changes in the level and quality of life, social sphere, economy, public safety, government institutions, and degree of addressing other public needs and issues of importance in respective areas;

A list of targets and output/outcome measures of the government program with detailed planned values for every year of implementation;

Overall implementation frames for the government program, key stages and their timeframes, indicating progress measures;

Key regulatory measures in respective area, aimed at attaining the program goal and (or) outcome, with supporting justifications of key provisions and timeframes for draft legal acts and regulations, developed during the first state of program implementation;

A list of subprograms and federal earmarked programs included in the government program;

Rationale behind the overall budget appropriations from the federal budget for each year of government program implementation;

3) to define the planning procedure for federal budget appropriations for government programs for a medium-term period with due consideration of the need to integrate it with the budget process;

4) to make amendments to the Regulation on Performance Reports by budget planners as a federal-level management instrument.

VI. Transition to the program structure of budget spending

Implementation of the program and performance-based approach to the organization of government operations and the need to create conditions for planning of budget appropriations according to the new approach, require a modified procedure of budget preparation and approvals, and, consequently, adjustments to the budget classification of the Russian Federation.

Pursuant to delineation of powers as regards regulation of budget relations, these issues shall be addressed autonomously by each government of various levels. Moreover, as the Budget Code of the Russian Federation prescribes general requirements to the organization of the budget process, it would be necessary to make amendments allowing governments of different levels to decide on the expediency (depending on readiness), procedures and timeframes of transition from traditional earmarked line items to items reflecting composition of government (municipal) programs and their subprograms.

As regards the federal budget, the Program assumes the necessity, capacity and expediency of switching to the program and performance budgeting approach.

Appropriate amendments to the Budget Code are proposed to be approved in 2010 so as to do all the necessary preparatory work as regards development and appraisal of projects under government programs, draft GOR resolutions and regulations by federal government agencies, methodological materials, their pilot testing, adjustment of the budget classification, customization of software, etc.

Specifically, the materials to be submitted to the State Duma of the Federal Assembly of the Russian Federation in one package with the draft federal budget law for 2011 and for the planning period of 2012-2013 will contain an appendix to the explanatory note to the above draft law detailing budget appropriations allocated to government programs and their subprograms.

During the next 2 or 3 budget cycles transitional provisions are expected to apply, allowing to prepare a program structure of federal budget expenditures

with a phased extension of the number of programs and subprograms approved as prescribed by GOR.

Approved government programs and further reports on their implementation will be submitted to the State Duma of the Federal Assembly of the Russian Federation accompanied by supporting documents attached to the draft federal budget law.

From the very outset, the program structure should cover most federal budget spending.

Simultaneously with the appendix detailing budget allocations to government programs and their subprograms approved by the federal budget law as part of the materials submitted in a package with the federal budget law, an appendix showing a break-down of expenditures by heads and subheads of the budget classification of expenditures will also be submitted.

A special emphasis should be given to the need to make certain amendments as early as in 2011 to procedures of attributing individual expenditures to spending classification heads and subheads, which would allow enhancement of the transparency of budgets and facilitate future alignment between program-based and functional classifications of expenditures.

To capture all the budget appropriations allocated to address tasks and activities in specific areas, it is proposed that earmarked intergovernmental fiscal transfers (earmarked subsidies and subventions), as well as general subsidies to government extrabudgetary funds should be recorded under respective functional sections and subsections of the budget expenditure classification, while only general fiscal subsidies to the regions should be left under Intergovernmental Fiscal Transfers.

Furthermore, an important development may come from a substantive change starting from 2012 of the fourth level of detail of the expenditure classification, i.e. the type of expenditure. While at present types of expenditure are a poorly systematized array of functional, economic and group categories, the suggested approach allows to treat types and subtypes of expenditure as single categories reflecting types of budget appropriations prescribed in the Budget Code. Since different types of budget expenditures have different legal foundations, this approach would create a straightforward legal basis for authorizing expenditures in the course of execution of budgets. The proposed amendments will entail adjustments of certain items of the classification of general government operations.

Looking forward, the list of types of expenditures of budgets is expected to be included in the Budget Code of the Russian Federation. However, during

the transitional period the Ministry of Finance will be authorized appropriately with these functions (as it is currently the case as regards subitems of the classification of general government operations).

The Budget Code is proposed to contain provisions for setting various horizons of spending commitments and for legislative approvals of budget appropriations for their implementation. This approach would ensure a sound trade-off between predictability of budget appropriations for long-term government (municipal) contracts and the necessity to adapt them to possible adjustments arising within policy cycles as regards policy objectives and means to achieve them.

It should be taken into account that as the program and performance-based approach to the operations of federal authorities evolves, more powers and responsibility will be needed for the federal authorities, charged with implementation of respective programs and subprograms, with their structure and functions to be adjusted and elaborated, etc.

To put in place appropriate conditions for the Government of the Russian Federation to take timely decisions on redistribution of respective powers while preparing amendments to the Budget Code of the Russian Federation, it is proposed to consider an option of consolidated approval by the annual federal budget law of budget appropriations broken down by government programs and subprograms implemented by federal authorities.

Budget appropriations to support the activities of the President, the Presidential Administration, including the President's plenipotentiary envoys in the federal districts and their offices, of the State Duma and the Council of the Federation of the Federal Assembly, of the Constitutional Court of the Russian Federation, of the federal courts of general jurisdiction, including the Supreme Court, federal courts of arbitration, including the Supreme Court of Arbitration of the Russian Federation, the Judicial Department with the Supreme Court of the Russian Federation, of the Central Election commission of the Russian Federation, the Audit Chamber of the Russian Federation, the Ombudsman for Human Rights in the Russian Federation, prosecution authorities, including the General Prosecutor's Office and the Investigation Committee with the Prosecution of the Russian Federation, could continue to be approved by the budget law individually for each respective head administrator of budget funds.

In this case the departmental structure of federal budget expenditures (showing a break-down of budget appropriation by the federal authorities – head

administrators of budget funds) could be approved by the Government of the Russian Federation.

Irrespective of the selected option of expenditure approval, a higher-level expenditure break-down will allow to considerably reduce the number of reasons for changing the summary budget allocations roster of the federal budget and simultaneously to extend the powers of head administrators of federal budget funds in compiling and maintaining their own budget allocation rosters.

Implementation of a program budgeting framework suggests a preserved and strengthened role of the current budget planning instruments: the spending commitments roster, the targeted investment program and justifications of budget appropriations.

As the new budget classification is implemented, the continuity and consistency of data should not be disrupted, while the information captured should not be reduced, but, on the opposite, should be substantively expanded and systematized, which may be achieved via bridge tables.

VII. Streamlining government (municipal) administration and enhanced efficiency of its support

This section of the Program suggests continued implementation of the administrative reform. The key emphasis will be made on the project approach to government operations, including its application in the course of government program implementation and organization of internal control procedures.

Key areas for enhancing efficiency of government operations (implementation of government functions, including legally significant actions) should include:

- Anti-corruption operations and bringing down administrative barriers;

- Improvement of controls and supervision;

- Streamlining of government composition and powers, resulting in lower duplication of functions and powers, as well as right-sizing government employees;

- Divestiture of government functions other than core functions to specialized entities established specifically for servicing several government authorities or contracting out services (outsourcing);

- Enhanced incentives for the heads of federal authorities to right-size the staff of their central headquarters and territorial branches and cut budget expenditures to support their operations;

Right-sizing of the number of federal government civil servants in relation to other staff in federal government authorities;

Building “electronic government”, including transition to electronic services in legally significant actions of government authorities;

Streamlining interdepartmental interaction and cooperation, including utilization of information technologies by means of disclosure of information about the operations of government authorities.

The federal authorities should approve and implement their sector (departmental) plans for higher efficiency of budget spending in their respective areas of competence.

Furthermore, government authorities should approve plans for enhanced quality of financial managements, while financial authorities should arrange for their monitoring and assessments.

It is necessary to develop methods and techniques to assess the efficiency of federal government operations, including reporting indicators to measure the efficiency of spending, assess achievements against the planned parameters and if possible establish criteria to measure the quality, quantity and cost of outcomes, etc.

An important area for streamlining of the operations of governments of different levels is management of government (municipal) property. To improve the efficiency of such management the following key measures are proposed:

To streamline the composition of property of governments and provide for its accounting;

To take stock of government (municipal) property, registration of rights to it;

To switch from practiced transfers of property specially procured by one regional or local government with budget funds allocated to it to another such government over to providing subsidies for respective purposes, allocated according to transparent criteria (except for cases when property is transferred for purposes of supporting the functions of these governments);

To create transparent procedures for leasing government (municipal) property;

To review the list of lands excluded from turnover and with limited turnover, and to assess their efficiency with the aim of a further streamlining of land resources;

To streamline the network of government (municipal)-owned unitary enterprises;

To improve privatization procedures;

To improve the scorecard of performance indicators for assessing the use of government (municipal) property;

To develop an economically sound dividend policy.

VIII. Enhanced efficiency of government (municipal) service delivery

The current network of government (municipal) institutions evolved in a different social and economic environment. It remains unaffected by modern government administration and management approaches, as it continues to provide suboptimal and insufficient public services. Budget institutions have been massively transformed into autonomous ones only in a few regions, while federal level budget institutions have remained practically unchanged. While planning expenditures to support the operation of subordinate budget institutions, ministries are guided not by the services to be delivered by these institutions, but by the need to maintain the existing capacities. Budget appropriations are largely planned by adjusting the expenditures of the previous year, while preserving their composition intact. Therefore, priority should be given to the issue of enhancing the quality of government (municipal) services in the first place and only then to optimization of respective budget spending.

This section of the Program pursues the following objectives:

To increase accessibility and quality of government (municipal) services in education, health care, culture, social security and other socially sensitive areas;

To attract and keep in the budget sector skilled personnel;

To create conditions for streamlining the budget institutions network;

To develop the facilities of the government (municipal) institutions, including with the help of more funds coming from off-budget sources;

To reduce non-statutory types of payment for government (municipal) services;

To introduce elements of competition in operations of government (municipal) institutions.

To achieve the above objectives, the following 3 interrelated tasks should be addressed:

To enhance the legal status of government (municipal) institutions;

To introduce new forms of delivery and financing of government (municipal) services;

To enhance the transparency of institutions delivering government (municipal) services for consumers of these services.

Enhancement of the legal status of government (municipal) institutions will be undertaken by implementing the Federal Law “On making amendments to certain legal acts of the Russian Federation in connection with enhancing the legal status of government (municipal) institutions.” They are aimed at improving the efficiency of public service delivery in the context of level (or lower growth) of budget expenditures allocated to deliver these services. Appropriate conditions and incentives should be created to cut internal costs and raise (legalize) off-budget financing, increase the efficiency and transparency of their operations. Also government authorities should be capable and motivated to streamline their subordinate institutions.

It is proposed to change the arrangements for financing of budget institutions (with extended rights), delivering government (municipal) services:

They should be switched from cost budgets to subsidies towards government assignments, effective from July 1, 2012;

Budget institutions (with extended rights) shall be authorized to manage autonomously their income from income-generating operations;

The subsidiary responsibility of the government (municipality) for liabilities of budget institutions (with extended rights) should be excluded;

Rights of budget institutions to administer any movables assigned to them with the exception of most valuable movables, listed by the government or local government authority, which is the founder of this institution.

The new type of government (municipal) institutions – a government (kazenny) institution, whose status is in fact the same as the status of the earlier budget institution as it was prescribed in the Russian law, - will be obliged to credit all the income generated by their income-generating operations to a respective budget. The procedure of transforming budget institutions into government institutions will involve minimum organizational activities related to the change of status of government institutions. They will essentially boil down to making amendments to the charter (standard charter) of the institution or the respective enactment.

A transitional period will be announced for the first half of 2011, allowing both budget institutions (with extended rights) and government institutions to get their financing as earlier (specifically, the earlier approved legislation and regulations will be effective, the nominal accounts of institutions will continue, and off-budget incomes of government institutions will not be diverted to the budget).

The original standard costs for the delivery of services by a federal budget institution and standard costs for the maintenance of property assigned to it shall

be set by the appropriate federal government authority – head administrator of budget funds in relation of each of the budget institutions on the basis of the size of budget appropriations allocated to this federal institution according to the budget cost in 2010.

Furthermore, the following measures will be taken aimed at creating conditions and incentives for federal government authorities to streamline their subordinate institutional network:

Simplification of the procedure for reorganization (in the form of merger and consolidation) and close-down of institutions followed by a transfer of respective authority from the Government of the Russian Federation to federal authorities;

Prescribing that the size of budget appropriations to federal authorities – head administrators of budget funds should be preserved while reorganizing (merging or consolidating) or closing down their subordinate institutions (provided they maintain the volume and quality of provided services).

A switch of budget institutions to subsidies toward their delivery of government (municipal) services will require improved practices of setting government (municipal) assignments for government (municipal) institutions and of their financing.

Government (municipal) assignments for budget institutions pursuant to its core activities as set forth in their founding documents will be established by their founders.

To support implementation of budget institutions' responsibilities in 2010 it is necessary to apply the principle prescribed in the Budget Code providing for the use of draft government (municipal) assignments for government (municipal) services while making budget projections for 2011-2013.

For this purpose, the federal authorities responsible for drafting government assignments for federal government institutions should in the course of their budgeting exercise develop and submit to the Ministry of Finance summary indicators of such government assignments.

IX. Development of government (municipal) financial controls

Embracement of program budgeting and implementation of new forms of financing for government (municipal) services require a comprehensive reform of the government (municipal) financial control framework, to be based on constitutional principles of delimitation of mandates and purviews of government and municipal authorities.

For this purpose it would be necessary to:

Organize effective control (audit) over the efficiency of the use of budget funds, while defining efficiency and performance criteria;

Specify the powers of government and municipal authorities as regards exercising financial control;

Introduce the concept of internal and external government (municipal) financial control, with prescribing in legislation their forms, methods and objects;

Bring the government (municipal) control framework in line with the principles and standards prescribed by the International Organization of Supreme Audit Institutions (INTOSAI) and the European Organization of Supreme Audit Institutions (EUROSAI);

Set sanctions for each breach of budget legislation of the Russian Federation;

Eliminate the possibility of unjustified inspections of economic agents.

Government (municipal) financial control is proposed to be defined as operations of authorized government and municipal agencies seeking to control:

Compliance with the budget legislation of the Russian Federation and other laws and regulations in the context of budget legal relations;

Accuracy and completeness of budget reporting and its compliance with regulatory requirements;

Cost effectiveness, effectiveness and efficiency of the use of budget funds at different levels.

External government (municipal) financial control is proposed to be defined as financial control exercised by legislative (representative) bodies and by government (municipal) financial control entities established by them, while internal government (municipal) financial control shall be interpreted as financial control exercised by executive government authorities (municipal administrations).

Legal regulation in the sphere of government (municipal) financial control should focus on control over budget process participants, primarily over government authorities within the limits of budget legislation.

In its turn, the budget legislation should stipulate an obligation for budget process participants, when they act in relations outside administrative or other authority-based subordination, to include in their draft contracts with counterparts financed by budget funds (except for government (municipal) contracts on delivery of goods, works and services) of provisions confirming their agreement to audits to check compliance with the prescribed use of

earmarked budget funds. Such audits should not be regarded by budget process participants as their right, but rather as their obligation, following from the budget legislation of the Russian Federation, as regards specific types of expenditures subject to government (municipal) financial control.

Implementation of this approach will mean a shift of primary responsibility for compliance with the budget legislation as part of administrative law, and, respectively, of responsibility for non-diversion of earmarked budget funds (budget credits, guarantees and subsidies) from legal entities who are not budget process participants to government agencies authorized with setting procedures for granting these funds, and to budget funds' recipients who enter into civil law contracts on behalf of respective governments of various levels.

A reform of government (municipal) financial control requires a clearer delimitation of responsibility between financial control authorities both horizontally (i.e. between various government (municipal) financial control authorities at one level of government) and vertically (i.e. between such financial control authorities of various levels of government), including as regards oversight of compliance by the Russian regional (municipal) governments with the purposes and conditions of receiving intergovernmental fiscal transfers.

The authority of the Audit Chamber of the Russian Federation and of the audit and control bodies established by the legislative (representative) branch at various levels, to exercise external government (municipal) financial control (audit) shall be defined respectively in the Federal Law "On the Audit Chamber of the Russian Federation", in regional law and municipal legal acts on control and audit bodies.

The Federal Treasury (regional and municipal financial authorities), as the Budget Code stipulates, should be authorized with internal government (municipal) control, including while authorizing transactions and using other methods of ex-ante budget control as regards head administrators (administrators, recipients) of respective budget funds.

The Federal Service for Financial and Budget Oversight and financial control authorities, which are regional (municipal) executive government authorities), in line with the Budget Code should be authorized with internal government (municipal) financial control, including detecting and terminating provision of incomplete or inaccurate reporting on the outputs of budget appropriations under subprograms of government programs and government assignments, through audits, inspections and other methods of ex-post budget

control of government executive authorities – head administrators (administrators, recipients) of funds of respective budgets, and also, in cases and according to procedures prescribed by the Russian legislation, of government agencies – head administrators (administrators, recipients) of funds of respective budgets, regional executive authorities (municipal administrations) as regards their compliance with the terms and conditions of receiving intergovernmental fiscal transfers and other items of control.

Head administrators of budget funds, pursuant to the Budget Code of the Russian Federation, should exercise internal control (including the right of establishing structural units), aimed at ensuring compliance with internal operational standards and procedures, including budget preparation and execution, maintaining budget accounts, compilation of budget reporting, compliance with administrative procedures and preparation and implementation of measures to enhance performance (efficiency and effectiveness) of budget funds.

Moreover, measures to enhance the quality and reliability of internal controls by head administrators of budget funds should be taken. The findings of such control exercises should be available both to government (municipal) control bodies and to government executive authorities and municipal administrations. Besides, coordinated development and methodological support of internal control systems should be organized.

To ensure the effectiveness, efficiency and performance of government (municipal) financial control, legal regulation of accountability for violations of budget legislation should be improved, including, in particular:

Drawing a close-ended list of enforcement measures taken to violators of budget legislation, combining both budget measures and administrative measures;

Linking specific violations of budget legislation with budget measures of enforcement and providing for a reference to administrative measures of enforcement;

Providing for administrative penalties for violations of budget legislation.

Implementation of the above concept of government (municipal) financial control will require amendments to the Budget Code of the Russian Federation and to the Code of Administrative Offense. No amendments to the Federal Law “On the Audit Chamber of the Russian Federation” will be required.

X. Development of a comprehensive federal contracting system in the Russian Federation

At present, the Russian Federation has no full-fledged legal regulation of property relations involving governments of various levels, when such relations are not based on administrative or other authority-based subordination of one counterparty to the other (contractual relations). To get this kind of regulation in place a comprehensive contracting framework should be developed in Russia.

Priority objectives for 2010 - 2011 include rule-making and structuring for all the stages of government (municipal) procurement, specifically: procurement planning, placement of orders and contract execution, as well as integration of IT resources related to order placement and contract execution.

This will be achieved through a consistent and systemic upgrade of the overall sector of government procurement both by means of further perfection of the existing procurement stages and by putting in place missing elements to manage “contracted” expenditures and their overall alignment.

The social and economic development forecast will provide an overarching framework for developing projections of government (municipal) procurement required for implementation of government (municipal) functions and tasks.

The comprehensive federal contracting system when in place will include such instruments and standard specifications, model contracts for standard (individual) goods, works and services (R&D, budget investments, information technologies, energy saving, etc), computerized monitoring by clients of contract execution, enabling clients to address their objectives more effectively.

An instrument to bring together various elements of the contracting system will be the official web-site of the Russian Federation, posting information about procurement of goods, works and services for federal, regional and municipal needs. This web-site will provide a capacity to monitor making, changing and executing contracts and to analyze costs. Clients will be able to access methodological and legal information on issues related to procurement planning, placement of orders and contract execution, as the web-site will contain a special-purpose information and reference section.

To develop legal regulation of government (municipal) procurement planning the following procedures may be established:

To determine the scope and composition of government (municipal) needs, including in-kind representation, estimated on the basis of standard costs imputed for government (municipal) services and functions;

To draw lists of goods, services and works for federal government (municipal) needs for larger procurement items, planned for this financial year and for the planning period;

To define initial prices by different types of products;

To monitor prices, procurement items, producers and suppliers of goods, works and services.

While planning government procurement, the cost of further maintenance of durable products should be also taken into account.

Regulatory and legal acts governing the stage of placement of government (municipal) orders should contain the following provisions:

The need to approve a procurement time schedule and a contracting schedule;

The procedures for making a list of requirements regarding procurement items;

Contract security, including the development and approval of standard forms of bank guarantees and guarantee agreements;

The procedures to estimate the original cost of a government (municipal contract);

The need to monitor prices for goods, works and services under existing government (municipal) contracts.

Legal regulation of the stage of government (municipal) contract implementation shall be amended so as to:

Specify rules for client control over contract execution, publish recommendations for product acceptance in the course of government contract execution;

Specify rules for participation (alongside the client's representatives) of a special representative of the authorized government agency to perform its obligation to protect the rights, freedoms and legal interests of other persons or the interests of the Russian Federation under certain categories of judicial disputes, arising as a result of non-performance of government contracts;

To require publication of information on government contract execution and compliance with the time schedule of government procurement (including through establishment of a national register of government (municipal) contracts, including inter alia information on contract execution);

To obligate the client to impose sanctions for non-execution of substandard execution of contract obligations;

To set rules for the client's actions in case budget commitments' limits are reduced.

The government should also consider creating flexible instruments for the budget process helping to get government (municipal contracts) executed, including the following possibilities:

The client may use funds from the sale of financial security in case of non-execution or substandard execution of the contract by the vendor;

The client may reduce contract payment by the amount of penalties imposed on the vendor.

Further development of contractual relations will be also target the development of a system of sales, lease and other use of movable and immovable assets of governments of various levels.

Moreover, looking ahead, government (municipal) assignments (contracts) for socially important services will also be contracted out.

Overall, the development of contractual relations involving governments of various levels should focus on building a transparent and fair environment for all the contract counterparties, to ensure a balance of interests. Besides, the comprehensive federal contracting system would allow to enhance the quality and to reduce costs of public services and implementation of functions and tasks of government authorities and budget institutions.

XI. Reforming budget payments

At present, all the funds of Russia's budget system are concentrated in single budget accounts of the Federal Treasury with the Central Bank, contributing to enhanced overall transparency and sustainability of the financial system.

However, the situation when the number of Federal Treasury accounts in the Central Bank equals the number of governments of various levels, results in considerable numbers of separate budget accounts for each government (over 24 thousand). On top of that, quite a few bank accounts serve to execute budgets of government extrabudgetary funds, to record operations of health care budget institutions, social protection institutions, transactions in temporarily held funds, transactions in funds generated by commercial operations and cash transactions.

In the context of activities currently undertaken by the Central Bank to streamline its settlement network, and also to develop the payments system toward centralized payment and settlement operations, it is necessary to revisit and modify the interaction between the CBR's and the Federal Treasury's payment systems as regards cash servicing of government budgets of various levels.

International experience indicates that the body providing cash servicing of budget execution (the treasury) may be the single - apart from banks - participant of the central bank payment system, exercising settlements of

governments via one single bank account of this body with the Central Bank of the Russian Federation, while providing client access to all the settlement services through the system of respective on-balance accounts.

A change in the cash servicing arrangements for budget execution will allow to concentrate accounts of all the constituent budgets, budget process participants, budget institutions and other clients (in cases stipulated by Russian legislation) only in the Federal Treasury with one single account in the Central Bank. Measures coordinated with the CBR will be needed to support reforming of the Federal Treasury technologies so that they can be harmonized with the banking settlement technologies, while ensuring their higher speed and transparency.

If implemented this approach will:

Facilitate accelerated allocation of payments to the budget system among its constituent budgets;

Result in simplification and harmonization of the document flow;

Make it possible to make payments to the budget system and from the budget system using modern banking and other payment technologies;

Allow promptly providing revenue administrators of budgets with personified information about payments of each taxpayer or payer of other obligatory fees.

The above activities planned for 2010-2012 will require an appropriate regulatory and legal framework, including legislative, to support reforming of budget payments through 2017.

XII. Development of MIS for public finance

At present, the Federal Treasury IT system forms a basis for the development of a modern MIS for government (municipal) finance. The existing infrastructure supports a complete coverage of cash operations of the general government sector (except for operations of the government extrabudgetary funds).

However, recent developments in public finance necessitate new upgraded requirements to the composition and quality of information about the financial operational of governments and also to the transparency of performance information. For example, the Federal Law “On making amendments to individual legislative acts of the Russian Federation in connection with improvements of the legal status of government (municipal) institutions” stipulates the establishment of an official web site to publish information about

the operations of all the government (municipal) institutions and about the use of property assigned to them.

To meet the above requirements and to enhance the quality of public finance management it is necessary to develop an integrated information system for public finance management (electronic budget). Public finance MIS will:

Support transparency and accountability of government and municipal authorities, creation public control mechanisms to monitor the efficiency and effectiveness of constituent governments by means of publishing and providing open access to information about planned and actual results of general government operations, information about the cost of public services, including information by government programs, services and items of financing, in volume and in value terms;

Increase access to information about financial operations and financial position of each government, its assets and liabilities;

Create instruments for aligning strategic and budget planning, monitoring outcomes and outputs of government programs, measuring the volume and quality of delivered government services;

Ensure integration of budget preparation, execution and accounting procedures, of compilation of financial and other proceduralized reporting by governments;

Strengthen the links between the budget process and government procurement procedures for goods, works and services, procedures for placement of orders and government (municipal) contract execution;

Will support centralization and harmonization of accounting for government (municipal) property.

The electronic budgeting framework, in particular, will require IT resources and nation-wide registers containing information about the government sector institutions, government (municipal) employees, government (municipal) assignments, public services and operations of government (municipal) institutions, property and liabilities of constituent governments.

Furthermore, it would be necessary to continue upgrading of the existing data bases (register of spending commitments, summary budget allocations roster, register of government contracts, etc.), while developing technologies for their mutual integration and integration of the existing and newly developed data resources in the electronic budget system.

To address the above objectives, it is necessary to consider undertaking the following activities:

To develop regulatory legal acts and methodological guidelines to support preparation and centralized maintenance of national registers and data bases, to organize effective interagency communication and data exchange;

To design an electronic budget as a system of integrated components supporting the system's operation;

To establish a single gateway for government (municipal) finance (electronic budget gateway) for providing public access to the information about financial operations of constituent governments, compiled on the basis of data from the electronic budget system;

To develop functionalities of the Federal Treasury automated system, including for capturing planned indicators by budget services, monitoring the effectiveness and efficiency of budget expenditures, managing the assets and liabilities of the general government sector, maintaining budget, managerial and personnel accounts and records of the general government sector and also for providing electronic services to general government institutions.

Implementation of the electronic budget system will facilitate transition to a new quality of public finance management and to create a toolkit for taking justified managerial decisions with the aim of enhancing the efficiency and effectiveness of budget expenditures.

XIII. Program implementation arrangements

Program implementation management will be organized according to the project approach.

Program implementation will be managed, coordinated and controlled by the working group with the Government Committee for Administrative Reform, established to develop the Program.

Program activities will be implemented according to the annually approved Action Plan.

The plan for 2010 will include key activities than need to be implemented so that the Program results may be incorporated while making budget projections for 2011-2013.

For 2010, the following Program activities are proposed:

To pass framework laws (making systemic amendments to the Budget Code) allowing further drafting of legal acts, regulations and methodological guidelines;

To design (first stage) government programs and provide analytical representation of budget appropriations allocated to government programs while

drafting the federal budget for 2011 and for the planning period of 2012 and 2013;

To develop and approve sector (departmental) plans for enhanced efficiency of budget spending and financial management quality.

It is proposed that plans for 2011 and 2012 be approved in December 2010 and December 2011 respectively taking into account the results of the previous stages of Program implementation.

Regional top executive authorities should develop similar regional programs and arrange for their implementation.

To support the above programs it is necessary to develop appropriate methodological guidelines (a standard program and assessment criteria) and consider a possibility of creating financial incentives for improving the quality and effectiveness of such programs by means of granting subsidies on a competitive basis.

Program implementation will be coordinated with the activities set forth in the National Security Strategy till 2020, approved by the President's Decree № 537 of May 12, 2009, and the Concept for Long-term Social and Economic Development till 2020, approved by GOR order № 1662-r of November 17, 2008.

APPROVED by
GOR order № 1101-r of June 30, 2010

ACTION PLAN for 2010

to implement the PROGRAM of the Government of Russia for Enhanced Efficiency of Budget Expenditures till 2012

	Document (draft)	Timeframe	Responsible agencies
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Balanced and sustainable budget system of the Russian Federation in the long term

- | | | | |
|--|----------------|------|---|
| 1. To set decision-making procedures for the assumption of new (increase of the current) spending , including as regard preparation (assessment) of financial feasibility studies of draft legal and regulatory acts | GOR resolution | IIIQ | Russia's Minfin,
Ministry of Economic
Development (MED) |
|--|----------------|------|---|

	Document (draft)	Timeframe	Responsible agencies
2. To enhance arrangements and methodology of cash projections of federal budget execution with the aim of strengthening responsibility of head administrators of federal budget funds for the quality of the cash plan and for meeting cash limits	Ministry level document	IIIQ	Minfin, MED
3. To make amendments to federal laws and GOR regulations as regards regulation of indexation of current spending commitments	Federal law, GOR regulation	IIIQ	Minfin, MED, Ministry for Health and Social Development
4. To make amendments to the Budget Code of the Russian Federation as regards the use of oil and gas revenues and setting fiscal rules, time-frames for their introduction and setting minimum undistributed expenditures	Federal law	IVQ	Minfin, MED
5. To make amendments to the Budget Code as regards issuing by the Federal Treasury of budget credits to keep regional and local budget accounts liquid	Federal law	IVQ	Minfin, Ministry of Regional Development

	Document (draft)	Timeframe	Responsible agencies
6. To make amendments to GOR regulations and Minfin documents as regards specification of forms and procedures of spending commitments rosters aligned with the register of government contracts and with the rules of adjusting existing spending commitments	GOR regulation, Ministry level document	IVQ	Minfin, MED
7. To make amendments to the Tax Code of the Russian Federation as regards the procedures and assessments of the efficiency of tax incentives, and streamlining incentives for regional and local taxes	Federal law	IVQ	Minfin, MED, Ministry of Regional Development

	Document (draft)	Timeframe	Responsible agencies
8. To develop and approve a long-term budget strategy of the Russian Federation	GOR document	Within 3 months following approval of the social and economic development forecast	Minfin, MED
Improvement of delineation of powers of different levels of government and organization of their operations			
9. To make amendments to the Budget Code of the Russian Federation as regards creating instruments to save windfall revenues of regional budgets similar to those at the federal level	Federal law	IVQ	Minfin, Ministry of Regional Development
10. To make amendments to legislation of the Russian Federation, delineating spending commitments	Federal law	IVQ	Minfin, MED, Ministry of Regional Development, federal government authorities

	Document (draft)	Timeframe	Responsible agencies	
Government programs as an instrument to enhance budget spending				
11.	To set the procedures for the development, implementation and performance assessment of government programs of the Russian Federation	Regulatory legal acts	IIQ	Minfin, MED, concerned federal government authorities
12.	To make amendments to the procedures for the development and implementation of federal earmarked programs and international earmarked programs, with the Russian Federation participating, approved by GOR regulation N 594 of June 26, 1995 (if necessary to bring in line with the procedures for the development, implementation and performance assessment of government programs of the Russian Federation)	GOR regulation	Within 2 months following the approval of the procedure for the development, implementation and performance assessment of government programs of the Russian Federation	Minfin, MED, Ministry for Regional Development, concerned federal government authorities

	Document (draft)	Timeframe	Responsible agencies
<p>13. To set procedures for the development, implementation and performance assessment of subprograms of government programs of the Russian Federation, make amendments to the Regulation on the development, approval and implementation of departmental targeted programs, approved by the GOR regulation № 239 of April 19, 2005 (if necessary to bring in line with the procedures for the development, implementation and performance assessment of government programs of the Russian Federation)</p>	GOR regulation	Within 2 months following the approval of the procedure, implementation and performance assessment of government programs of the Russian Federation	Minfin, MED
<p>14. To make amendments to GOR regulation . № 249 of May 22, 2004 “On measures to enhance the performance of budget spending”</p>	GOR regulation	IIIQ	Minfin, MED

	Document (draft)	Timeframe	Responsible agencies	
15.	To approve government programs of the Russian Federation (in line with the list of government programs defined by the Government of Russia and with the analytical program structure of federal budget expenditures for 2011 and for the planning period of 2012 and 2013)	GOR documents	IVQ	Federal government authorities
Transition to the program structure of budget spending				
16.	To make amendments to the Budget Code as regards building a legal framework for switching to program and performance budgeting	Federal law	IIIQ	Minfin, MED
17.	To develop key provisions of government programs of the Russian Federation and their subprograms	Reports to the Government of Russia	August	Federal government authorities – responsible for implementation of government programs of the Russian Federation
18.	To consolidate fiscal subsidies to the regions in the key policy areas (under the government programs)	Comments to the draft federal law On the Federal budget for 2011 and for the planning period of 2012 and 2013	September	The Ministry for Regional Development, Minfin, MED federal government authorities

	Document (draft)	Timeframe	Responsible agencies	
19.	To provide an analytic representation of the program structure of federal budget expenditures for 2011 and for the planning period of 2012 – 2013	Appendix to the Explanatory Note to the draft federal law On the Federal Budget for 2011 and for the planning period of 2012 and 2013	September	Minfin, MED, concerned federal government authorities
20.	To draft GOR documents and ministry level documents, ensuing from the amendments made to the Budget Code of the Russian Federation	GOR documents , Ministry level documents	IVQ (according to a separate schedule)	Minfin , MED, concerned federal executive authorities
Streamlining government (municipal) administration and enhanced efficiency of its support				
21.	To make amendments to Minfin order № 34n of April 13, 2009 On arrangements for monitoring the quality of financial management by head administrators of federal budget funds	Minfin order	IIIQ	Minfin

Enhanced efficiency of government (municipal) service delivery

	Document (draft)	Timeframe	Responsible agencies	
22.	To draft GOR documents and ministry level documents ensuing from the provisions of the Federal Law On making amendments to individual legislative acts of the Russian Federation in the context of improving the legal status of government (municipal) institutions	GOR documents, ministry level documents	II - IVQ (according to a separate time schedule)	Minfin, concerned federal government authorities
23.	To approve standard costs to estimate government services (works) and property maintenance	Ministry-level documents	IVQ	Federal government authorities
24.	To approve and communicate to federal government institutions of government assignments and budget appropriations toward them for 2011 - 2013	Decisions by federal government authorities	December	Federal government authorities

Development of government (municipal) financial controls

	Document (draft)	Timeframe	Responsible agencies
25. To make amendments to the Budget Code of the Russian Federation and the Code of Administrative Offense as regards regulation of government (municipal) control and mechanisms of accountability for violations of budget legislation	Federal law	IVQ	Minfin
26. To draft GOR documents and ministry level documents, ensuing from the provisions of the Budget Code and the Code of Administrative Offense as regards regulation of government (municipal) control and mechanisms of accountability for violations of budget legislation	GOR documents, ministry level documents	IVQ (according to a separate time schedule)	Minfin, concerned federal government authorities
27. To approve the procedures of internal controls in the federal government authorities	GOR document	IVQ	Minfin

Development of a comprehensive federal contracting system in the Russian Federation

	Document (draft)	Timeframe	Responsible agencies	
28.	To draft GOR documents and ministry level documents on issues of planning and execution of government orders	GOR documents, ministry level documents	III - IVQ (according to a separate schedule)	MED, Minfin, Federal Anti-monopoly Service, federal government authorities
29.	To design standard government contracts	Ministry level documents	From IIIQ (in stages by types of government contracts)	MED, FAS, federal government authorities
Development of MIS for public finance				
30.	To develop a concept for the creation and development of a MIS for public finance	Report to GOR	IVQ	Minfin
Program implementation arrangements				
31.	To approve methodological guidelines as regards development and implementation of sector (departmental) plans for enhanced efficiency of budget spending	Joint order	July	Minfin, MED

	Document (draft)	Timeframe	Responsible agencies
32. To submit sector (departmental) plans for higher efficiency of budget spending to the working group tasked with the development of the GOR program for streamlining and enhanced efficiency of budget spending with the Government Committee for Administrative Reform	Sector (departmental) plans	October	Federal government authorities
33. To approve sector (departmental) plans for higher efficiency of budget spending and quality of financial management	Ministry level documents	IVQ	Federal government authorities
34. To approve methodological guidelines on the development and implementation of regional and municipal programs for enhanced budget spending efficiency	Joint order	IIIQ	Minfin, MED
35. To define selection criteria and procedures for granting subsidies toward implementation of regional and municipal spending efficiency programs to regions and municipalities	GOR document, ministry level documents	IIIQ	Minfin, MED
36. To approve Program implementation action plans for 2011	GOR document	December	Minfin, MED concerned federal government authorities

