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### On Kabardino-Balkar Republic's budget execution for 2021

*Abstract:* In the regions of the Russian Federation, just like in Russia as a whole, profound social and economic changes are taking place, transformations in all spheres of life of the population, due to the transition to market relations. The process of searching and forming new mechanisms of economic management is going on intensively. At the same time, it is very important not only to have a general understanding of the patterns and trends in the development of the market economy, but also to identify problems, as well as to search and develop an optimal model for the most complete, effective use of them for the stabilisation and development of the economy in the interests of community development. Currently, the economy of the Kabardino-Balkar Republic is one of the least competitive in Russia. The reasons for this are due to the miscalculations of the Soviet period, which were largely exacerbated by the country's transition to the market. The accumulated problems are systemic in nature and require a comprehensive, targeted solution. The prospects and effectiveness of the socio-economic development of the country are largely determined by the solution of regional problems in the economy. In the Development Strategy of the Kabardino-Balkar Republic, it is proposed to concentrate the efforts of the authorities on the development of those sectors of the economy in which high labor productivity is in demand and which are able to produce products with high added value, provide decent wages to the workers employed in them and an adequate amount of taxes to the republic's budget system. Therefore, in order to understand the economic transformations in the region, an annual analysis of the execution of the regional budget is necessary. The study subject was the economy of the Kabardino-Balkar Republic. The study object was the republican budget of the Kabardino-Balkar Republic in 2021. The study's purpose was to analyse Kabardino-Balkar Republic's budget execution for 2021. Logical, statistical, comparative, and historical methods were used to achieve the study purpose and solve its problems. In the course of the study, the materials of regulatory legal acts and the works of specialists in economics and regionalism of the Russian Federation were used. The effectiveness of public finance management has been highly appreciated at the federal level. According to the assessment of the Ministry of Finance of the Russian Federation conducted in 2021 by the end of 2020, the Kabardino-Balkar Republic entered the group of leading regions characterised by high quality of regional finance management. This efficiency is also confirmed in 2022. In 2021, significant work was performed to adjust the republican budget items to balance the risk zones of losses and more harmonious use of revenues in expenditure items.

*Keywords:* Kabardino-Balkar Republic, republican budget, revenues, expenses, analysis of budget execution.



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### **Об исполнении республиканского бюджета Кабардино-Балкарской Республики за 2021 год**

*Аннотация:* В регионах Российской Федерации, как и в целом в России, происходят глубокие социально-экономические перемены, преобразования во всех сферах жизнедеятельности населения, обусловленные переходом к рыночным отношениям. Интенсивно идет процесс поиска и формирования новых механизмов управления экономикой. При этом очень важно не только общее понимание закономерностей и тенденций развития рыночной экономики, но и выявление проблем, а также поиск и разработка оптимальной модели наиболее полного, эффективного их использования для стабилизации и развития экономики в интересах развития сообщества. В настоящее время экономика Кабардино-Балкарской Республики является одной из наименее конкурентоспособных в России. Причины этого обусловлены просчетами советского периода, которые были во многом усугублены переходом страны к рынку. Накопившиеся проблемы имеют системный характер и требуют комплексного, целенаправленного решения. Перспективы и эффективность социально-экономического развития страны во многом определяются решением региональных проблем в экономике. В Стратегии развития Кабардино-Балкарской Республики предложено сконцентрировать усилия власти на развитии тех секторов экономики, в которых востребована высокая производительность труда и которые способны выпускать продукцию с высокой добавленной стоимостью, обеспечивать занятым в них работникам достойную заработную плату и поступление в бюджетную систему республики адекватного объема налогов. Следовательно, для понимания экономических трансформаций в регионе, необходим ежегодный анализ исполнения регионального бюджета. Предметом исследования была экономика Кабардино-Балкарской Республики. Объектом исследования был республиканский бюджет Кабардино-Балкарской Республики 2021 года. Целью исследования был анализ исполнения республиканского бюджета Кабардино-Балкарской Республики за 2021 год. Для достижения цели исследования и решения её задач были использованы логический, статистический, сравнительный и исторический методы. В ходе исследования были использованы материалы нормативных правовых актов и труды специалистов в области экономики и регионалистики Российской Федерации. Эффективность работы по управлению государственными финансами получила высокую оценку на федеральном уровне. По оценке Министерства финансов Российской Федерации, проведенной в 2021 году по итогам 2020 года, Кабардино-Балкарская республика вошла в группу регионов-лидеров, характеризующихся высоким качеством управления региональными финансами. Данная эффективность подтверждается и в 2022 году. За 2021 год была проведена существенная работа по корректировке республиканских бюджетных статей с целью уравнивания рисков зон потерь и более гармоничного использования доходов в статьях расходов.

*Ключевые слова:* Кабардино-Балкарская Республика, республиканский бюджет, доходы, расходы, анализ исполнения бюджета.



## **Introduction**

In the regions of the Russian Federation, just like in Russia as a whole, profound socio-economic changes are taking place, transformations in all spheres of life of the population, due to the transition to market relations. The process of searching and forming new mechanisms of economic management is going on intensively. At the same time, it is very important not only to have a general understanding of the patterns and trends in the development of the market economy, but also to identify problems, just like to search and develop an optimal model for the most complete, effective use of them for the stabilization and development of the economy in the interests of community development. Currently, the economy of the Kabardino-Balkar Republic is one of the least competitive in Russia. The reasons for this are due to the miscalculations of the Soviet period, which were largely exacerbated by the country's transition to the market. The accumulated problems are systemic in nature and require a comprehensive, targeted solution. The prospects and effectiveness of the social and economic development of the country are largely determined by the solution of regional problems in the economy. In the Development Strategy of the Kabardino-Balkar Republic, it is proposed to concentrate the efforts of the authorities on the development of those sectors of the economy in which high labor productivity is in demand and which are able to produce products with high added value, provide decent wages to the workers employed in them and an adequate amount of taxes to the republic's budget system. Therefore, an annual analysis of the execution of the regional budget is necessary to understand the economic transformations in the region.

The study subject was the economy of the Kabardino-Balkar Republic.

The study object was the 2021 Kabardino-Balkar Republic's budget.

The study purpose was to analyse Kabardino-Balkar Republic's budget execution for 2021.

To achieve the study purpose, the following tasks were developed:

- give a general description of the Kabardino-Balkar Republic;
- analyse the performance of the main characteristics of 2021 Kabardino-Balkar Republic's budget;
- analyse the execution of 2021 Kabardino-Balkar Republic's budget revenues;
- analyse the execution of 2021 Kabardino-Balkar Republic's budget expenditures;
- to give an opinion on 2021 Kabardino-Balkar Republic's budget execution.

Logical, statistical, comparative, and historical methods were used to achieve the study purpose and solve its problems.

In the course of the study, the materials of regulatory legal acts and the works of specialists in economics and regionalism of the Russian Federation were used.

### **General characteristics of the Kabardino-Balkar Republic**

The Kabardino-Balkar Republic is a subject of the Russian Federation, part of the North Caucasus Federal District and part of the North Caucasus Economic Region. The capital is the city of Nalchik. In this area there is the highest mountain in Europe, Mount Elbrus, with a height of 5,642 m. Mount Elbrus has 22 glaciers that feed three rivers – Baksan, Malka, and Kuban. The mountain is covered with snow all year round.

It was established as the Kabardian Autonomous Region on September 01, 1921. Since January 16, 1922, the Kabardino-Balkar Autonomous Region. On December 05, 1936, it was transformed into the Kabardino-Balkar ASSR. Since 1992 it has been the Kabardino-Balkar Republic.

Kabardino-Balkar Republic's borders with the Karachay-Cherkessian Republic in the west, the Stavropol Krai in the north, the Republic of North Ossetia-Alania in the east and southeast, and Georgia in the south.

The official languages of the Kabardino-Balkar Republic throughout its territory are Kabardian, Balkar and Russian.

The area of the subject is 12,500 sq. km.

Population – 904,200 people (2021).

Population density – 72.51 people/sq. km (2021).

The system of Kabardino-Balkar Republic's state authorities. It is defined by the Constitution of the Russian Federation and the Constitution of the Kabardino-Balkar Republic (1997). State power in the Republic is exercised by the Head of the Kabardino-Balkar Republic, the Parliament, the Government, and other state authorities formed in accordance with the Constitution of the Republic.

The basis of Kabardino-Balkar Republic's economy is agriculture (grain crops: wheat, corn, millet), industrial crops (sunflower), animal husbandry (dairy and meat), as well as logging (*Kazharov, 2020*).

As part of the development of infrastructure and support for small and medium-sized businesses in the Kabardino-Balkar Republic, a network of business incubators was created, the purpose of which is to provide small and medium-sized businesses of the Kabardino-Balkar Republic with equipped office and industrial premises for rent on preferential terms.

Today, Kabardino-Balkar Republic's industry is a dynamically developing industry, which includes enterprises of various areas of manufacturing.

There are more than 100 industrial enterprises operating in the republic. In Maysky, Sevkavrentgen-D LLC is one of the leading manufacturers of X-ray equipment in Russia. In Terek, the Terekalmaz plant has established its own production of synthetic diamonds and high-quality diamond tools based on them. In the city of Tyrnyauz there is a Kabbalkgips factory for the production of products of the GIPSELL trademark, based on the production and sale of construction and finishing materials.

### **Analysis of the execution of the main characteristics of Kabardino-Balkar Republic's budget**

The projected total republican budget revenue in the amount of 51,709.9 million rubles. The actual volume of republican budget revenues in the amount of 51,910.9 million rubles.

The projected total republican budget expenditure the amount of 51,112 million rubles. The actual volume of republican budget expenditures in the amount of 50221 million rubles.

The projected republican budget surplus in the amount of 597.9 million rubles. The actual republican budget surplus in the amount of 1,689.9 million rubles (*On the Execution of the Republican Budget..., 2022*).

Thus, the 2021 budget for was executed with a surplus of 1,690 million rubles. Total revenues amounted to 51,911 million rubles and expenses amounted to 50,221 million rubles.

### **Analysis of Kabardino-Balkar Republic's budget revenues execution**

The priority areas of activity of the Ministry of Finance of the Kabardino-Balkar Republic in 2021 were:

- 1) development and implementation of a responsible budget policy that ensures the balance and stability of the budget system in the face of restrictive measures related to the prevention of the spread of the new coronavirus infection COVID-19;
- 2) improving the efficiency of budget expenditures;
- 3) effective public debt management;
- 4) improving the system of inter-budgetary relations;
- 5) ensuring control over compliance with budget legislation;
- 6) ensuring openness and transparency of public finance management.

To assess republican executive authorities' effectiveness, including the Ministry of Finance of the CBD, On February 10, 2021, Prime Minister A.T. Musukov approved the plan of main activities and targets for 2021.

As a result of the implementation of the approved plan, the Ministry of Finance of the Kabardino-Balkar Republic ensured the implementation of all planned activities and achieved performance targets.

The actual execution of the revenue part of 2021 Kabardino-Balkar Republic's budget amounted to 51,910.9 million rubles. For 2020, the actual execution of the budget revenue part amounted to 50,830.2 million rubles. Thus, we can observe an increase of 1,080.7 million rubles, which is 2.08%

The budget revenue part consists of tax and non-tax revenues, just like gratuitous receipts. In the total amount of republican budget revenues, the share of tax revenues amounted to 24.2%, or 12,567.6 million rubles, non-tax revenues amounted to 2.2%, or 1,145.2 million rubles, gratuitous receipts amounted to 73.6%, or 38,198.1 million rubles. The 2021 republican budget tax revenues receipt is more than the volume of receipts for 2020 by 1203.6 million rubles (110.6%) (*On the Main Results of the Activities..., 2022*).

In 2021, the republican budget tax revenues receipt is provided by the following sources:

- 1) corporate income tax – 1,910.2 million rubles;
- 2) personal income tax – 3,882.6 million rubles;
- 3) tax on total income – 1,118.3 million rubles;
- 4) corporate property tax – 1,508.7 million rubles;
- 5) taxes, fees and regular payments for the use of natural resources – 6.9 million rubles;
- 6) state duty – 76.6 million rubles (*Figure 1*).

Among the tax revenues, the most important are corporate income tax, corporate property tax and personal income tax.

Many industrial enterprises of the republic are leading in the Russian market, produce competitive, high-tech, export-oriented products, including tools made of natural and synthetic diamonds, road controllers, traffic lights with LED emitters, cable products of a wide range of applications, high-voltage switches, copper wire rod, light industry products, radio electronics

devices, noise mufflers for passenger cars and trucks, complex medical equipment and construction materials, goods for the country's military-industrial complex.

Kabardino-Balkar Republic's industrial production index is the main indicator characterising the state and development of the economy, in 2021 compared to 2020 amounted to 111%, including by type of activity "Manufacturing" (formed by 22 manufacturing industries of all industries) – 109.3%. The increase in output compared to January-December, 2020 is observed in the production of textiles (109.1%), clothing (129.6%), leather and leather products (121.3%), wood processing and the production of wood and cork products, except furniture (1.6 p.), other non-metallic mineral products (127.2%), computers, electronic and optical products (145.9%), electrical equipment (123.1%), motor vehicles, trailers and semi-trailers (in 4 times), furniture (101.3%).

In January-May, 2021, Kabardino-Balkaria took the 3<sup>rd</sup> place in the Russian Federation in terms of industrial production growth.

2021 republican budget non-tax revenues amounted to 1,145.2 million rubles (141.5%) (*Figure 2*).

Gratuitous receipts to the republican budget amounted to 38,198.1 million rubles with a plan of 38,590.9 million rubles (execution was 99%), which were formed due to:

- 1) subsidies in the amount of 15,882.4 million rubles, the rate is 97%;
- 2) subsidies in the amount of 14,130.8 million rubles growth rate 108.1%;
- 3) subventions in the amount of 3,575.3 million rubles, rate 73.0%;
- 4) Other inter-budget transfers in the amount of 4552.9 million rubles, the growth rate of 106.2% (*Figure 3*).

### **Analysis of Kabardino-Balkar Republic's budget expenditures execution**

2021 Kabardino-Balkar Republic's budget was executed in the amount of 50,221 million rubles. Comparing 2020, the pace of execution of the republican budget expenditure part increased by 2,634 million rubles.

Socially significant and priority expenses of the republic (wages, social benefits, medicines, food, compulsory health insurance, inter-budget transfers, utilities) amounted to 39,718.9 million rubles or 79% of the total amount of expenses incurred and were as follows:

- 1) remuneration (including incentive payments to medical and other employees of medical and other organisations providing medical care (participating in the provision, providing medical care) for the diagnosis and treatment of a new coronavirus infection) – 6,844.5 million rubles (growth rate of 102.4%);
- 2) social payments to the population – 13,880.8 million rubles (growth rate of 105.5%);
- 3) payment for utilities and communications – 435.0 million rubles, (growth rate of 127.9%);
- 4) purchase of medicines – 982.5 million rubles, (growth rate of 111.6%);
- 5) food – 223.9 million rubles (growth rate of 130.2%);
- 6) provision of inter-budget transfers to municipal budgets – 13,371.3 million rubles (growth rate of 127.1%);
- 7) compulsory medical insurance of the unemployed population – 3,980.9 million rubles (growth rate of 103.4%) (*Figure 4*).

50,149.5 million rubles were allocated in Kabardino-Balkar Republic's budget for the implementation of republican state programmes in 2021, including 23,222.2 million rubles from the federal budget, 26,927.3 million rubles from the republican budget.

The actual financing of republican state programmes amounted to 49,117.6 million rubles, or 97.9% of the planned amount of funding, including 22,572.3 million rubles (97.2%) from the federal budget, and 26,545.2 million rubles (98.6%) from the republican budget. The cash execution of 2021 regional projects amounted to 8,337.1 million rubles, or 96% of the planned assignments established by the updated budget list.

By the end of 2021, Kabardino-Balkar Republic's budget was executed with a surplus of 1689.9 million rubles.

### Conclusion

The effectiveness of public finance management has been highly appreciated at the federal level. According to the assessment of the Ministry of Finance of the Russian Federation performed in 2021 by the end of 2020, the Kabardino-Balkar Republic entered the group of leading regions characterised by high quality of regional finance management. This effectiveness is also confirmed in 2022 (*On the Main Results of the Activities ..., 2022*). In 2021, significant work was carried out to adjust the republican budget items to balance the risk zones of losses and more harmonious use of revenues in expenditure items.



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### Appendix

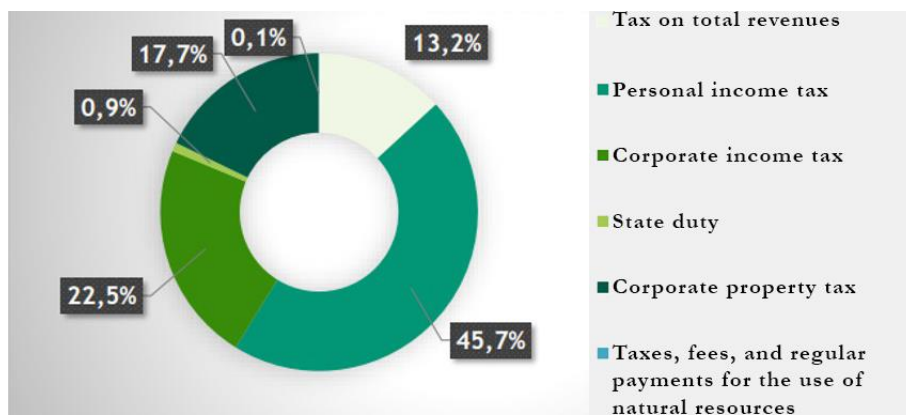


Figure 1. Structure of Kabardino-Balkar Republic's budget tax revenues

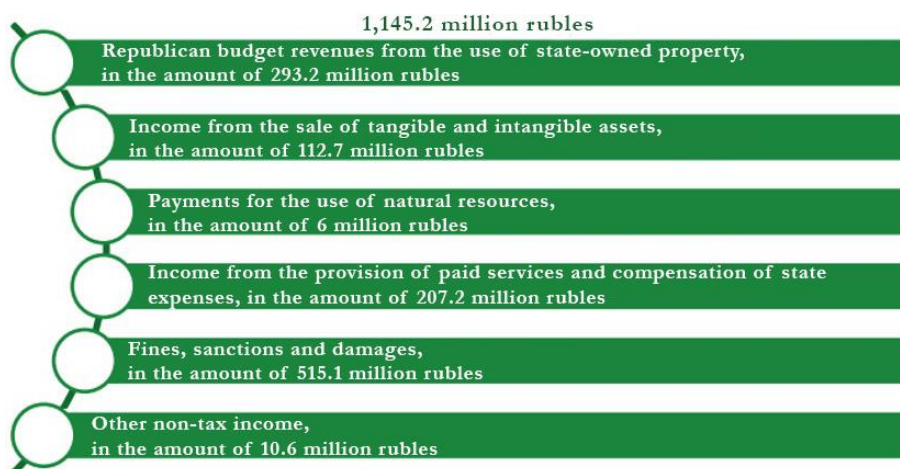


Figure 2. Structure of Kabardino-Balkar Republic's budget non-tax revenues



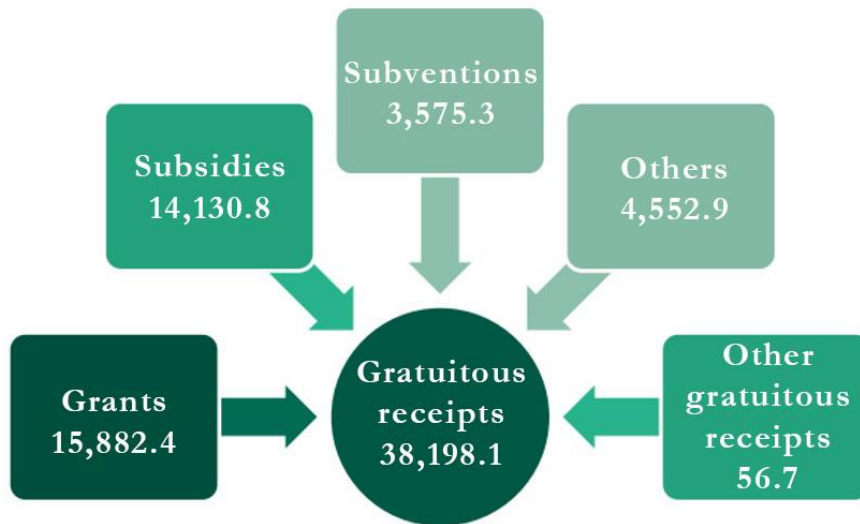


Figure 3. Composition and structure of gratuitous receipts as of January 1, 2022, million rubles

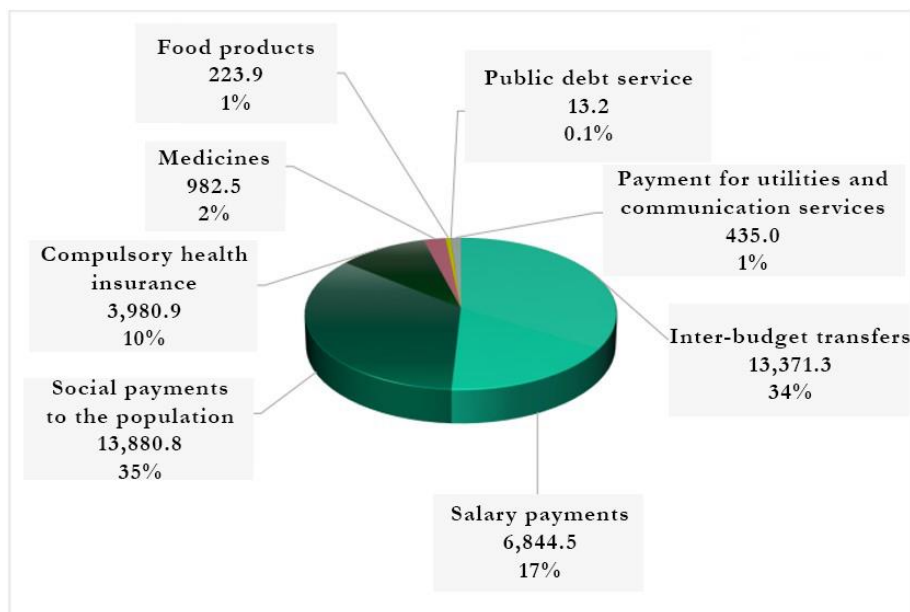


Figure 4. Structure of socially significant and Kabardino-Balkar Republic's priority budget expenditures