

The background of the cover is a blurred photograph of a large crowd of people. Overlaid on this image is a white network diagram consisting of numerous circular nodes connected by thin lines, creating a web-like pattern across the entire page.

# **TUCULART STUDENT SCIENTIFIC JOURNAL**

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THE YOUNGER GENERATION IN THE NAME OF DARING ACHIEVEMENTS

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## **The concept and principles of the budget process** <sup>[1]</sup>

*Abstract:* One of the key management tools is the budget, allowing you to allocate resources and control their use. The budget process effectiveness directly affects the standard of living of the population and its quality, which are the main conditions for realising human potential and, as a result, a factor in developing the territory. The study object was social relations arising in financial law. The study subject was the concept and principles of the budget process. The study aims to analyse the concept and principles of the budget process comprehensively. The study's methodological basis comprised historical, comparative-legal, formal-logical and systemic-structural methods. The author concludes that at the federal level, the requirements for the publication of budget documents are solved by publishing them in the media and on the Internet on the Unified Portal of the Russian Federation's budget system. To ensure transparency in the Russian Federation's budget system, the Ministry of Finance has developed Methodological Recommendations to inform citizens about the Russian Federation's subjects and local budgets. These recommendations are a significant tool for implementing initiative projects and forming relevant budget information by the financial authorities of the Russian Federation's constituent entities. The situation is different at the regional level.

*Keywords:* budget process, Ministry of Finance, Russian Federation, methodological recommendations.



### ***Abbreviations:***

*AC* is Arbitration Court;

*ACH* is Accounting Chamber

*APC* is Arbitration Procedure Code;

*BC* is Budget Code;

*CAC* is Control and the Accounting Chamber;

*CCB* is Capital Construction Bureau of Oryol City (enterprise);

*MC* is municipal contract;

*MUE* is municipal unitary enterprise;

*PFE* is peasant (farm) economy.

### **Introduction**

One key management tool is the budget, which allows you to allocate resources and control their use. The budget process's effectiveness directly affects the standard of living of the population and its quality, which are the main conditions for realising human potential and, as a result, a factor in developing the territory.

The study object is social relations arising in financial law.

The study subject is the concept and principles of the budget process.

The study aims to analyse the concept and principles of the budget process

comprehensively.

The achievement of the purpose necessitated the formulation and solution of the following tasks:

- consider the concept and content of the budget process;
- investigate the state management of the budget process;
- study the types of principles of the budget process
- investigate judicial practice on the implementation of the principles of the budget process.

The methodological basis of the research was historical, comparative-legal, formal-logical and systemic-structural methods.

In the science of budget law, in addition to the Russian Federation's budget system principles, there are unique principles characterising the budget process, which have not found legislative consolidation as the Russian Federation's budget process principles. So, O.N. Gorbunova and S.V. Zapolsky, in addition to the principles enshrined in Article 28 of the Budget Code of the Russian Federation, refer to the principles governing the budget process directly, such principles as the sequence of entry into the budgetary activities of executive and representative authorities, the annual budget, publicity and publicity, specialisation of budget indicators (*Gorbunova, 2017, p. 224; Zapolskiy, 2018, p. 219*).

## **The results of the study**

### **The budget process concept and content**

The budget process is a multifaceted, simultaneously political, legal, and economic phenomenon expressed in consistent actions to find and ensure a compromise of interests.

In a narrow sense, the budget process defines the direction of spending budget funds. In a broad sense, traditionally legal, consistent, step-by-step deployment of budgetary and legal procedures ensures the planned, lawful, and effective formation and expenditure of budget funds.

The budget process is a system of planning, executing and controlling state and municipal finances. The budget review and approval stage are significant links in this system since it determines financial resources, allocation of funds and state or municipal policy priorities for a specific time (*Povetkina & Kudryashova, 2020; Kopina, 2021*).

In the modern world, the budget process is crucial because it is the basis for forming and implementing state economic and social policies.

Thanks to the budget process, the authorities can monitor budget execution, determine spending priorities and ensure the effective use of budget funds (*Gorokhov, 2017, p. 32*).

The budget process is a significant element of the state economic system, and its study has attracted the attention of many authors.

In its study, M.P. Afanasyev's author group analyses foreign experience in improving the efficiency of budget spending, like the possibilities of its application in Russia (*Afanasyev et al., 2024*).

In his article, R.V. Konovalov proposes a methodology for evaluating the effectiveness of budgetary funds use at the municipal level (*Konovalov, 2023*).

The degree of citizen participation in government can vary, where the extreme conditions

are democratic and authoritarian.

Direct democracy forms are commonly understood as referendums, elections, popular initiatives, and recalls of elected officials or members of elected bodies, while democracy refers to the participation of citizens in government in any form, both directly and indirectly.

The democratic state system in a society with a market economy is based on the legal and political culture of society, including financial culture, which is a complex component of the population's political, economic and social conditions, characterised by a sufficient level of tax discipline, broad participation of citizens in the budgetary process, the development of non-governmental financial institutions and the resistance of the population to fraud in the financial services sector.

E.V. Suslov proposes some measures to improve the efficiency of municipal finance management (*Suslov, 2019*).

The budget in its elementary form has been a part of almost all states in history.

Written documents relate to the existence of the State Treasury and accountants and auditors hired by the monarchs to protect the royal treasury.

The fundamental budget policy goal is to ensure the balance and sustainability of the budget system based on maximum revenue mobilisation, the fulfilment of federal and regional powers, expenditure and debt obligations, practical financial support for development tasks and stimulation of sustainable growth.

In legal studies, the issues of implementing direct democracy forms in the budget process are mainly reduced to identifying the advantages and disadvantages of some citizens' direct participation forms in the budget process, i.e., forms mediating their direct involvement in the budget allocation mechanism. Such studies are based on a budget process legal understanding, connecting with which budgetary and legal procedures with the citizens' participation are analysed (*Biz'in & Biz'ina, 2018*).

The budgeting process performs significant functions in the country's economy. They act as a means to achieve several goals of a public organisation. In some countries, the executive branch of the government also plays a significant role concerning government revenues and expenditures, and legislative power is limited only to the approving and verifying body, e.g., in the UK, where the budget process is mainly dominated by the executive branch (House of Commons).

A more balanced approach to the distribution of powers is practised in the United States, where the legislature can review and amend the budget submitted by the President, and the President finally approves it after completing satisfactory checks and balances.

The dominance of the executive or legislative branch in the budgeting process is a matter of debate. Many consider legislative power to be an obstacle in a rapidly developing globalised economy, where foreign direct investment and monetary financing from organisations such as the IMF and the World Bank are crucial for several democracies (*Kiyashova, 2019*).

Several measures are proposed to speed up the decision-making process: determining the term of office of legislative bodies, introducing citizens' colleges, and empowering financing at the local level, like introducing a two-year budget cycle and special legislation on cost management.

Government expenditures are financed from the general fund of taxpayers' funds, and the

policy formed with this money is further used to finance projects.

The budgeting process largely depends on the country's available resources. Repetitive budgeting is standard in poor countries, where budgeting occurs several times a year due to changing scenarios, limited funds and inappropriate strategies.

Countries with some conditions choose phased budgeting, and in case of uncertainties, an additional budget alternates with a recurring budget. Differences in the budgeting process are also due to different countries' respective tax systems, such as how and on which programmes they spend money.

Thus, while Japan has an electoral party, the Liberal Democratic Party, which plays an important role in the budget process, France has a mixed representative-parliamentary system, the United States has independent legislative and executive branches, and the cabinet in the United Kingdom is responsible for significant decisions regarding income, taxes and expenses.

Government budgets differ from other budget forms in many ways. Here, voters delegate the authority to spend their money to politicians or elected representatives. Budgets in a parliamentary system similar to that in a country like India become an instrument of political negotiation, where the authority to draw up a budget is delegated to the country's Minister of Finance (*Instructions...*, 2022).

However, in a one-party government, the entire party shares the same views on resource spending; disagreements arise when individual members may disagree on the cost of allocation policies and would like public funds to be directed to their respective constituencies.

In a coalition government, different opinions are addressed through compromise and a contractual approach. The coalition parties control the budget process, ensuring that it is within the agreed-upon contract.

The budget process has peculiarities in different management systems, but its main task is to achieve a country's relevant economic and social goals (*Komyagin, 2017, p. 590*).

In the context of growing globalisation and the interdependence of economies, many external factors are also considered when developing budgets.

### **State management of the budget process**

In the modern world, characterised by a high degree of financial and legal organisation, the budget is presented not just as a monetary fund but as a fund whose functioning is entirely subordinated to legal regulation.

To optimise power implementation, the state is divided into territorial entities, which have formed a structurally developed budget system.

Strict adherence to the reliability principle is of particular significance for budget stability. In turn, for the reliability of most budget indicators, it is necessary to ensure high efficiency and quality in budget planning.

The essence of risks in the financial and budgetary sphere lies in adverse events that affect achieving financial and budgetary goals. These risks are related to the external environment (economic crisis, changes in legislation, etc.) and to the organisation itself (ineffective financial management, insufficient control over budget expenditures, etc.).

The financial and public sector classifies risks according to various parameters and factors, which leads to a precise categorisation. The classification is based on the following criteria: the

nature of the risk, its involvement in the budget process, where it occurs, its structure, duration, how it manifests itself, how often it occurs, the significance of its result and potential consequences, its level in the budget system, its sources, the probability of its manifestation, the direction of its impact, connection with human activity, predictability, the locality of its consequences, the nature of its occurrence, its expected damage strategic orientation and the magnitude.

The risk classification in the financial and budgetary sphere makes it possible to assess and manage various types of risks, considering their characteristics and consequences.

It is advisable to consider some of the most common types of financial risks:

- market risk is associated with changes in the value of financial instruments or assets due to fluctuations in the markets;
- credit risk is the probability that the borrower will not be able to repay his debt according to the terms of the loan agreement;
- operational risk is associated with errors, fraud, or disruptions in the company's operations, which can lead to financial losses;
- interest rate risk is associated with fluctuations in interest rates, which can affect the value of debt obligations or investments;
- risk of inflation is associated with the depreciation of money due to high inflation, which can decrease the actual value of assets and income.

Financial risk management is taking measures to minimise or limit potential losses associated with financial transactions, investments or projects.

Risk management includes developing and implementing strategies and measures to reduce the likelihood of risks and minimise their consequences.

The organisation and conduct of financial control over the budgets of municipalities in modern Russian practice contribute to the timeliness of the formation and execution of the local budget, compliance with regulatory requirements for implementing the budget process, the targeted use of local budget funds, and countering budget process violations (*Kiseleva, 2018, p. 87*).

This is due to the following factors: First, the number of necessary inspections and monitoring operations has increased due to a sharp change in the size of state organisations' budget estimates caused by forced circumstances. Second, processes related to the automation of internal financial control have slowed down since foreign technologies were used to build information systems for this purpose. Third, the financial motivation system of state and municipal civil servants, specialists responsible for the functional provision of internal financial control, has deteriorated.

A list of the most relevant risks that occur in the practice of organising financial control over the effectiveness of budgets of Russian municipalities:

1. External communications between control bodies are inefficient (the reason is the lack of communication skills and information support).
2. Disagreements related to the differentiation of powers and funds assigned to certain municipal control and accounting bodies (the reason is uncertainty in coordination between public authorities responsible for external financial control).

3. Key aspects of regulatory regulation are absent (the reason is the outdated regulatory framework and the emphasis on the mechanism of external control during improvement).
4. There is a lack of unity in the internal control methodology (the reason is the developed approaches of various authors and experts and the application of internal standards in budgetary institutions).
5. There is a lack of a clear distinction between internal and external control and duplication of functions (the reason is the lack of a unified regulation of internal municipal financial control).
6. Limited resources and opportunities for internal financial control in municipalities (the reason is the municipal budget deficit in Russia, where there are insufficient funds to finance the article “municipal management”) (*Kirillova, 2018*).

At the regional level, creating an effective and dynamic fiscal system is fraught with unique difficulties and represents a special set of tasks compared to the national situation. Understanding these features opens the way to forming and implementing regional financial policy. Regional financial policy is focused on a more targeted demographic and economic environment. Such a detailed perspective makes it possible to adapt budget decisions to specific regional needs and priorities, e.g., a resource-rich region may prioritise infrastructure development for efficient resource extraction. In contrast, a region dependent on tourism may focus on expanding cultural and entertainment offerings. This flexibility allows regional decision-makers to address unique challenges and leverage local strengths.

Limited resources, big dreams: overcoming financial constraints. Although regional policy requires individual decisions, it often faces limited financial resources. Revenue generation at the regional level is often limited because it is heavily dependent on central government transfers and limited tax autonomy. This requires careful prioritisation and efficient resource allocation. Balancing basic local needs with the economic goals set by the central government requires a complex balancing act.

Bridging the gap: Joint governance and public participation. Regional financial policy success depends on joint governance and public participation. Effective communication and coordination between regional and central authorities ensure compliance with national objectives and provide important financial support.

In addition, citizens' active involvement in policy-making contributes to transparency, confidence-building, and increased community interest in the implemented measures. Dynamic Dance is adapting to economic fluctuations. A regional economy is often more prone to fluctuations than a national economy, strongly influenced by factors such as agricultural yields, industry trends, or local tourist seasons.

This dynamism requires flexible and adaptable financial policies. Using a combination of short-term and long-term fiscal instruments allows you to quickly respond to economic shifts and implement countercyclical measures to mitigate negative consequences. The digital tools used are technology as an influencing factor (*Balakin, 2021*).

The digital revolution offers innovative tools for improving regional financial policy. Optimising budget processes through data analysis and digital platforms promotes transparency and efficiency. Using online tax filing systems improves revenue collection and reduces administrative burden. In addition, the introduction of blockchain technology can improve



financial tracking and accountability, reducing the risks of corruption and financial mismanagement.

Developing an effective regional financial policy requires a detailed approach. Recognition of local needs, resource constraints, and economic dynamics is crucial. Collaborative governance, public participation, and technological advances provide opportunities for regional stakeholders to navigate the financial maze and realise ambitions for the economic prosperity of their communities.

While remaining adaptive to the ever-changing economic landscape, regional financial policy can be a powerful tool for stimulating local growth and promoting the country's overall economic well-being.

### **Types of principles of the budget process**

Types of budget process principles are

- (1) cash register unity;
- (2) budgetary funds targeting and targeting;
- (3) budget transparency (openness): mandatory publication in the media of approved budgets and reports on their execution, completeness of presentation of information on the progress of budget execution;
- (4) budgetary funds use effectiveness;
- (5) budget balance;
- (6) budget independence;
- (7) budget reliability;
- (8) Russian Federation's budget system unity.

Federal Law No. 384-FZ dated November 29, 2021 (*On Amendments to the Budget Code..., 2021*), a new principle of the budget system has been introduced into the Budget Code of the Russian Federation (*The Budget Code..., 1998*) – the principle of citizen participation in the budget process, which not only and not so much serves as a guarantee of implementing direct democracy forms in determining the directions of budget spending, how much serves the purpose of further development of the budgetary relations' legal regulation, since the spending budget funds effectiveness may be directly dependent on the citizens' participation degree in the budget process.

At the same time, a necessary attribute of citizens' participation in the budget process is their understanding of the financial mechanisms involved, including the relationship between budget filling and public goods financed by taxes (*Boltinova, 2023*).

A tax conflict, usually interpreted in tax law doctrine as an antagonism between private and public property, arises not so much because the taxpayer strives to preserve his property but because the taxpayer does not have a proper understanding of public goods, the financial provision of which is performed at the expense of taxes, and benefits (material or moral), which he acquires.

The public good, for which the tax payments accumulation is performed, does not consist in the possibility of personalising the good directly consumed by the taxpayer but in achieving public goals of general welfare.

Improving the financial literacy of the population by clarifying the interrelationships

between taxes paid and socio-economic effects makes it possible to reduce conflicts in the tax sphere, including those manifested in tax opportunism, tax evasion, and avoidance.

Thus, when explaining the financial foundations of public education functioning, it is necessary to address the budgetary and legal components and taxation issues.

Even if a particular taxpayer does not resort to the public good in the form of a public comprehensive school, he still becomes a consumer of the public good through positive externalities generated by public education since he is a participant in the public environment formed through public education, possible through taxation.

Understanding the direct relationship between taxation and budget funds allocation by expenditure items should be the population's key financial education element in terms of the financial and public component and an appropriate prerequisite for developing citizen participation forms in the budget process, i.e., in determining the goals of spending budget funds (*Galynis, 2022*).

The manifestation of direct or participatory democracy is more typical for the budget process at the local government level. In a study by N.V. Vasilyeva and Yu.V. Pyatkovskaya on the issue of direct democracy forms in the local budget process, the authors conclude that “it is at the municipal budget process level in the Russian Federation that there are minimal guarantees of public participation in budgetary relations. It is ensured through mandatory public hearings on local budget drafts and a report on its implementation” (*Vasilyeva & Pyatkovskaya, 2020*).

Meanwhile, at present, the most popular form of direct democracy in the local budget process has become proactive, or participatory, budgeting and public discussion, which is widespread in the regions (*Rybakova, 2022*).

According to the Strategy for Improving Financial Literacy and Forming a Financial Culture by 2030, 77 regions are implementing proactive budgeting practices and (or) other practices of involving citizens in management processes based on Internet solutions, thanks to which citizens are involved in the process of forming, discussing, making and implementing decisions, including in the budgetary sphere.

Examining the legal procedures within which the practices of direct democracy in the budget process unfold, the political factor of such forms of direct democracy as elections and recall of elected officials to the budget process, which, by its nature, is more of a political rather than a legal nature, since it serves as a means of achieving public interest, is often overlooked expressed in the structure of the national and territorial budgets. Prioritisation of goals requiring budgetary funds is performed precisely within the framework of the budget process, which is a legal process in form but a political one. The law does not define and does not contain specific directions for spending budgetary funds, outlining only in the norms of the Basic Law and then in the constitutional and current legislation the standards of social, legal, political, economic, cultural, informational, environmental and other types of human activities as members of a legal society subordinate to the law.

As the bearer of financial sovereignty, the state can choose goals and methods of achieving them within the boundaries of society's constitutional structure.

In this regard, the definition of public interest, i.e., its articulation and qualification as “public” to further direct budget funds to its implementation, is in the zone of discretionary



discretion of the government in a broad sense, considering the principle of separation of powers and checks and balances between all three branches of government in the budgetary process (*Dobrynin, 2020*).

Thus, the restraining mechanism in the government's freedom to allocate budget funds is based on two key instruments: the constitutional structure, including those filled with legal content through decisions of the Constitutional Court of the Russian Federation, and public opinion of the population, its willingness to "accept" the goals chosen by the government. Legal norms formalise the procedures within which direct democracy unfolds in the budget process, which contributes to the formation of the financial culture of the population as its element.

Thus, the law forms direct top-down links between forms of direct democracy in the budget process (public hearings, public discussions, proactive budgeting, etc.) and the financial culture and literacy of the population. In turn, the financial culture of the population (electorate) serves as a deterrent mechanism in the government's fiscal policy since the allocation of budget allocations, among other things, is based on public opinion, a "request" for specific financial measures and their potential relevance in society. Political norms mediating forms of direct democracy (elections, recall of a member of an elected body, an elected official), not represented in the budget process form feedbacks ascending through the political factor of population's financial culture and financial literacy as a budget process restrictive component. As a result, legal forms of direct participation of citizens in the budget process, mainly represented at the local level, not only have an impact on the spending of local budgets but also through the financial culture of the population and then through indirect forms of democracy, they can influence the budget process at the federal and regional levels.

### **Judicial practice on implementing the budget process principles**

Some budgetary legal relations aspects are controversial. These are participants' qualification issues in budgetary, legal relations, implementing the budget system principles, and participants' judicial protection in the budget process.

So, according to the Resolution of the Central District's AC dated November 16, 2022 (*The Resolution..., 2022*), the municipal state institution "Oryol CCB" appealed to the Oryol region's AC with an application to the "Oryol CAC" on invalidation of paragraphs 1, 2, and 4 of the operative part of submission No. 04 dated January 29, 2021.

During the audit by the accounting chamber, it was established that the balance holder of the Druzhba Bridge is the MUE "Oryol CCB", in whose staff the position of a leading specialist overseeing the maintenance of bridges and hydraulic structures was occupied by an employee with a specialised education in the specialisation of bridge builder. However, the administration, by resolution No. 3626 dated August 27, 2019, without substantiating the reasons, transferred the functions of the customer for the object "Overhaul of the Druzhba Bridge across the Oka River within the City of Orel" to the Oryol CCB, whose staff did not have an appropriate specialist, leading to an increase in the staff of the enterprise and allocations for labour in the amount of 2896.5 thousand rubles (episode No. 1). The Oryol CAC established that in pursuance of the departmental target programme of the City of Oryol "Municipal Targeted Programme", approved by the decree of the Oryol administration dated April 17, 2017, No 1538, the Oryol CCB signed a municipal contract No. 64/19 dated October 21, 2019, with the

only participant in the electronic auction No. 0154300014619000670 – Remspetsmost LLC for completing work on the object “Overhaul of the Druzhba Bridge across the Oka River within the City of Oryol” in the amount of 273,240.2 thousand rubles (MC No. 64/19), like a municipal contract dated October 29, 2019, with DorMostProekt LLC for the supervision of the production of works in the amount of 331.5 thousand rubles. As of December 15, 2020, the work on the Druzhba Bridge overhaul was completed in full. The cost of the work performed amounted to 271,236.0 thousand rubles. The ACh found that the total amount of actual expenses for the overhaul of the bridge, considering the work performed by the MUE “Oryol CCB” under the previously concluded municipal contract No. 88 dated August 07, 2018 (terminated by the customer by decision No. 3854 dated August 14, 2019) and works under the municipal contract No. 64/19 dated October 21, 2019, amounted to 304,437.8 thousand rubles, which is 11,292 thousand rubles more than initially some amount of capital repair costs.

According to this episode (episode No. 3), the administration was charged with the lack of proper control and unjustified transfer of the customer’s authority from the MUE “Oryol CCB” (balance holder) to the MUE “Oryol CAC”, which caused damage to the Oryol budget for 11,292 thousand rubles. Episode No. 4: The ACh found that during the overhaul of the Druzhba Bridge, materials (reinforced concrete beams of the superstructure) purchased from the previous contractor – Regional Gas Distribution Networks LLC (contractor under the municipal contract dated No. 88 dated August 07, 2018, (MC No. 88) were used. The ACh concluded that while performing the Druzhba Bridge overhaul, reinforced concrete beams requiring repair were installed in gross violation of the deadlines recommended by the manufacturer; at the same time, defects in the beams of the superstructures were not repaired. According to episode No. 4, the ACh imputed to the administration, in violation of Article 34 of the Budget Code, inefficient spending of budgetary funds for 6,6569.6 thousand rubles (payment for the cost of span beams and installation).

According to the ACh, the contested submission imputed to the institution many violations of budget legislation committed during the execution of municipal contract No. 64/19, which involved overhauling the Druzhba Bridge across the Oka River in the city of Oryol.

The appeal court found that the violation imputed to the institution, expressed in monetary terms in an increase in the price of contract No. 64/19 compared to MC No. 88 dated August 07, 2018, by 11292 thousand rubles, is a consequence of the termination by the customer (MUE “Oryol CCB”) MC No. 88 in connection with the contractor’s failure to fulfil obligations under the contract and the conclusion of the Oryol CCB a new contract required to complete the bridge overhaul.

The appeal court correctly established that the accounting chamber did not prove the imputed budget violation and the illegality of the Oryol CAC’s actions.

The Oryol CAC is a body authorised to perform external municipal financial control in budgetary and legal relations. It monitors the execution of the municipality’s budget, including the legality and effectiveness (efficiency and economy) of using budget funds. It is part of the structure of local governments.

According to the Decision of the Eleventh AC of Appeal dated December 22, 2022 (*The Decision...*, 2022), Russia’s Federal Tax Service (the tax authority) for the Ulyanovsk region appealed to the Ulyanovsk region’s AC with an application to the Finance Department of the

municipality “Karsunsky District” of the Ulyanovsk region, in which it asked to recognise the illegal inaction of the Department of Finance of the “Karsunsky District” municipality of the Ulyanovsk region, expressed in the non-suspension of operations on the debtor’s accounts – CCB “Management of Affairs” of the Administration of the municipality “Karsunsky District” of the Ulyanovsk region.

Before the consideration by the first instance court of this case on the merits, the Finance Department of the municipality “Karsunsky District” of the Ulyanovsk region, according to the requirements of Article 131 of the Russian Federation’s APC, did not provide a written reasoned response to applying Russia’s Federal Tax Service for the Ulyanovsk region and any documents (evidence) to substantiate its position, allowing the first instance court, including to be guided by the provisions of Part 3.1 of Article 70 of the Russian Federation’s APC. By the decision No. A72-8264/2022 of the Ulyanovsk region’s AC dated January 09, 2022, the requirements stated by the Federal Tax Service for the Ulyanovsk region were satisfied.

Having checked the legality and validity of the judicial act adopted in the case according to Chapter 34 of the APC of the Russian Federation, having examined the arguments of the CCB “Management of Affairs” of the municipality “Karsunsky District” administration, set out in a brief appeal, counter-arguments of the Federal Tax Service for the Ulyanovsk region, set out in written objections, having studied and evaluated the evidence available in the case, including submitted by the Federal Tax Service for the Ulyanovsk region to the materials of the case, the Debt Journal of the CCB “Management of Affairs” of the municipality “Karsunsky District” administration of the Ulyanovsk region according to the Decisions No. 1546 dated December 09, 2021, and No. 1707 dated December 17, 2021, the appeal court does not see grounds for satisfying the appeal.

The debtor is a municipal state institution. The above-mentioned decisions of the tax authority submitted for execution were not returned to the tax authority, i.e., they were accepted by the Management for execution, while the latter did not fulfil its obligations in full within the prescribed period, did not suspend the execution of operations on spending funds on the personal account of the debtor Institution, then violated the procedure established by Russia’s BC. Proper evidence of the Office’s compliance with the above requirements of the Russian Federation’s current budget legislation was not provided to the court of first instance before considering the present case on the merits in violation of the requirements of Part 1 of Article 65 of the Russia’s APC, according to the Resolution of the Far Eastern District’s AC dated February 27, 2024 (*The Resolution...*, 2024b).

The Ministry of Agriculture and Trade of the Sakhalin region (Sakhminselkhozorg) appealed to the Sakhalin region’s AC with a statement of claim to the head of the PFE Alexander Vitalievich Pereboyev (the defendant) for the recovery of 1,485,000 rubles of grant funds.

According to the applicant of the complaint, the courts had no legal grounds for collecting grant funds from the defendant since there is sufficient evidence in the case file confirming the need to purchase equipment for milk analysis and processing to comply with the quality of products. Insists that the change in the expenditure plan was performed with the Ministry's consent.

Considers that not all the arguments given by the defendant have been evaluated by the courts and in violation of the norms of procedural law, a material information carrier – a flash

card – has not been attached to the case materials, which confirmed the plaintiff's consent to the acquisition of agricultural property by A.V. Pereboyev. Considers the conclusion of the courts about the inappropriate use of subsidy funds by the defendant to be incorrect and believes that the courts had every reason to reduce the amount of the recovered amount by the number of products not delivered (a crossbow worth 500,000 rubles).

When considering this case, the courts found that on October 31, 2019, the ministry and A.V. Pereboyev concluded an agreement No. 12-KFH/2019 on the provision of a grant to support novice farmers from October 31, 2019, the subject of which is the provision of a grant from the regional budget of the Sakhalin Region in 2019 in the form of a subsidy for financial support of part of the individual entrepreneurs' costs, heads of the PFEs for creating and developing the economy.

The agreement was concluded according to the Procedure for granting grants to support novice farmers, approved by Decree of the Government of the Sakhalin Region No. 60 dated February 16, 2017. According to the terms of the agreement, A.V. Pereboyev must spend the grant funds in the following areas: construction of premises for the maintenance of five farm animals (goats) – 1,460,000 rubles; purchase of agricultural machinery (attachments – mower) – 210,000 rubles. In pursuance of the agreement, the Ministry transferred funds for 1,485,000 rubles (payment order No. 41 dated November 13, 2019) to the farm head. By order of the Ministry of Agriculture No. 3.37-459-r dated August 17, 2022, a scheduled on-site inspection was scheduled for compliance by the farm head, interruptions with the conditions, goals and procedure for using the grant received in 2019 to support novice farmers.

During the control event, it was established that the grant agreement No. 12-KFH/2019, dated October 31, 2019, was not fulfilled by the defendant since the documents for the completed construction of the facility and its commissioning, like for the purchase of a mower, were not submitted. During the construction site inspection, a dilapidated building with concrete floors, pillars and a concrete path overgrown with vegetation was established in the forest area.

There were no facilities for keeping farm animals and a mower.

According to the audit results, the ministry concluded that the defendant did not fulfil the cost plan of the project for the creation and development of the economy and did not fulfil obligations under the agreement. In addition, the grant recipient has not achieved the performance indicator for the use of budget funds “Number of Jobs Created in 2019 – 1” From the information provided on insured persons in the form of CV-M, it follows that an employee who was hired for a newly created workplace in 2019 was dismissed in 2019, an employment contract with an employee accepted in his place, not represented. October 05, 2022, the ministry sent a request to defendant No. 3.37-5073/22 to return the grant funds to the regional budget voluntarily within ten working days, starting from the date of receipt of the ministry's request, which the defendant did not fulfil, which served as the basis for the Sahminselkhozorg's appeal to the AC with a corresponding claim.

Referring to the illegality of the actions of the Ministry to conduct an inspection, the PFE head applied for recognition of illegal order No. 3.37-459-r dated August 17, 2022, “On conducting a planned on-site inspection of the farm A.V. Pereboyev (conducting a planned inspection of the farm A.V. Pereboyev from August 23, 2022, to September 19, 2022;

recognition of Ministry's illegal actions in terms of conducting scheduled inspections that are not included in the annual plan of scheduled inspections approved by the Prosecutor General's Office of the Russian Federation; recognition of illegal actions expressed in violation of the deadline for conducting an audit, the deadline for audit notification; recognition of illegal actions to claim from the farm head, A.V. Pereboyev, the grant amount for 1,485,000 rubles."

Satisfying the claims of the ministry, the court of first instance pointed to the evidence of the defendant's misuse of the funds of the regional budget provided by the ministry in the form of a grant. The grant recipient's obligation to ensure compliance with the conditions for granting the grant established by the agreement and Procedure No. 60, including to direct grant funds to finance the expenses specified in Appendix No. 1 to the agreement, is fixed in paragraph 4.3.1 of the agreement. The basis for the grant recipient's exemption from the liability measures application is the documented occurrence of force majeure circumstances that prevent the fulfilment of relevant obligations.

The case materials confirm that the Appendix to the agreement No. 12-KFH/2019 dated October 31, 2019, provides for a project Expenditure Plan for creating, expanding, modernising the production base, according to which A.V. Pereboyev had to spend the grant funds in the following areas: construction of premises for keeping farm animals – 1,460,000 rubles (1,300,000 rubles of budget funds); agricultural machinery purchase (attachments) – 210,000 rubles (185,000 rubles of budget funds).

When investigating the circumstances of the present case, the courts found that the expense plan submitted by the defendant was not executed, the premises for keeping farm animals (goats) were not erected, and agricultural machinery (attachments – mower) was not purchased. The costs of the defendant's purchase of equipment for the analysis and processing of milk to comply with the quality of products referred to in the cassation complaint by the head of the farm Pereboyev A.V., do not relate to the cost plan under the agreement N 12-KFH/2019 dated October 31, 2019, and considering that the parties to the agreement have not made changes to the cost plan. They cannot be regarded as confirmation of the targeted use of regional budget funds.

Having assessed the evidence in the case file, the courts found no documents stating that the grant's expenditure plan could not be fulfilled. Force majeure circumstances prevent the fulfilment of obligations in terms of achieving the value of the grant result indicator (the number of jobs created in 2019 is 1), and the targeted use of grant funds is also not given.

Rejecting the applicant's argument about the unfair behaviour of a construction material supplier worth 500,000 rubles, the district court notes that the defendant is free to choose a counterparty. Therefore, he had to show such a care and prudence degree that would allow him to count on the proper fulfilment of obligations in civil law relations.

The recipient of the grant is responsible for misuse of the grant and one-time assistance and for non-fulfilment or improper fulfilment of obligations.

According to the Decision of the Moscow District AC No. A40-27083/23 dated February 22, 2024 (*The Resolution...*, 2024a), the Limited Liability Company (LLC) "Corporation of Robots" appealed to the Moscow AC with a claim against the Autonomous Non-profit Organization (ANO) "Moscow Project Development Office of Tourism and Hospitality" on debt collection in 6,812,599.5 rubles.

As established by the courts and following from the case file, on August 02, 2022, agreement No. GR-06-ANO/22 was concluded on providing financial support in grant form between the defendant (authorised organisation) and the plaintiff (recipient).

The agreement was concluded to support activities aimed at the business and youth tourism development in Moscow, according to the Decree of the Government of Moscow No. 627-PP dated April 22, 2022(*On Financial Support...*, 2022), according to which, in particular, the Procedure for providing financial support to legal entities and individual entrepreneurs for implementing activities aimed at developing business and youth tourism in Moscow has been approved (from now on referred to as the Procedure).

According to paragraph 1.3 of the Agreement, the maximum amount of financial support determined according to the Procedure and Order of the ANO “Moscow Project Office for the Development of Tourism and Hospitality” No. 105/22 dated May 16, 02022, like the Minutes of the meeting of the Expert Commission No. 0111-11/2022 dated July 15, 2022, is 6,812,599.5 rubles. In support of the claim, the plaintiff referred to the fact that after the event, Robot Corporation LLC applied to an authorised organisation with accounting documentation according to the terms of the concluded agreement. However, on August 30, 2022, the defendant’s expert commission issued protocol No. 01-1146/2022, according to which it decided to refuse to provide financial support in the grant form in connection with non-compliance of the accounting documentation with the requirements, like non-confirmation by the recipient of the incurred and documented costs. As the plaintiff stated, at the end of the event, a package of documents was sent to the defendant, but, in the plaintiff’s opinion, the defendant was unlawfully denied financial support with the following justification: copies of contracts No. SUB04/2022 and No. 34 provided by the recipient do not allow us to draw an unambiguous conclusion about occurring rental costs for premises used for holding activities directly from these agreements because these agreements meet the criteria of transactions performed in the ordinary business activities’ course; premises acceptance, transfer and return acts confirming the provision of premises for the event are not attached to contracts No. SUB04/2022 and No. 34; it is not possible to draw an unambiguous conclusion about the reliability of the cost structure from the submitted contracts and copies of payment documents; the submitted lists of participants of the event are certified by the signature and seal of the recipient only on the first pages, and it is not possible to establish the accuracy of the information indicated on the following pages of the lists; copies of the documents provided as part of the accounting documentation do not meet the requirements established by Order of the Authorised Organisation No. 105/22, like Appendix No. 1 to the agreement, do not confirm the incurred and documented costs of the event. In refusing to satisfy the claims, the court of first instance, with the conclusions of which the Appeal Court agreed, was guided by the provisions of Articles 8, 12, 15, 309, and 310 of the Civil Code, Articles 28 and 38 of the Budget Code and reasonably proceeded from the following: the defendant, by virtue of the direct indication of paragraph 1.2 of Resolution No. 627-PP, is empowered on implementing publicly significant functions, in particular, on selecting applicants’ applications, their examination and decision-making based on the results of the examination; the contents of the commission’s protocol, like the documents attached to it, collectively indicate that the plaintiff’s documents do not comply with the regulations governing the grounds for providing financial support in



the grant form; financial support is provided to compensate for part of the recipient's expenses for organising and conducting events related to the rental of premises and technical equipment, and not in the course of his usual activities, whereas the documents submitted by the plaintiff in support of expenses do not allow us to draw an unambiguous conclusion about the costs of renting premises used for the event, due to the fact that that these agreements meet the criteria of transactions performed in the ordinary business activities' course; the corrections of the comments referred to by the plaintiff were lawfully not accepted by the defendant, since neither the contract, nor the regulations, nor the Order and Procedure provide for the reconsideration of documents, despite the fact that the disputed Agreement was concluded on the basis of a competitive platform (selection), i.e., the procedure for submitting documents is strictly regulated, which excludes reconsideration documents. The plaintiff's arguments that the defendant could have calculated the costs of the plaintiff from the documents submitted by him specifically for holding the event were lawfully rejected by the Appeal Court concerning the fact that the disposal of budgetary funds imposes on the defendant an increased standard of prudence, the principle of targeting and the targeted nature of budgetary funds (articles 28 and 38 of the Budget Code).

### Conclusion

At the federal level, the requirements for publishing budget documents are solved by publishing them in the mass media and on the Internet on the Unified Portal of Russia's Budget System.

To ensure transparency in the Russian budget system, the Ministry of Finance of the Russian Federation has developed Methodological Recommendations to inform citizens about the budgets of the Russian Federation's subjects and local budgets.

These recommendations are an important tool for implementing initiative projects and forming relevant budget information by the financial authorities of the Russian Federation's constituent entities. The situation is different at the regional level.

Almost all subjects of the federation publish their open budgets, which can be seen on the websites of the Moscow, Rostov, Voronezh, and Amur regions, etc., except for the newly annexed territories, which do not publish their budgets. Regarding the budget for citizens, the Ministry of Finance of the Russian Federation has announced an all-Russian competition for projects to provide a budget for citizens.

The budget for citizens in some regions of the federation has already been developed and published: the Republics of Karelia and Crimea, Sverdlovsk, Rostov, Voronezh, Kursk regions, etc.

The newly annexed Territories do not participate in this process.



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### **Analysis of developing the St. Petersburg budget from 2020 to 2023** <sup>[2]</sup>

*Abstract:* The relevance of the work lies in the fact that each subject, as part of the entire Russian Federation, has its budget. This budget is intended to fulfil the entity's expenditure obligations. The federal city budget was chosen to study the process of forming and distributing funds in this region. The study object was the St. Petersburg budget, the formation and expenditure of funds in this region, like the current state of the budget (its deficit or surplus). The study subject was indicators reflecting the amount of budget revenues and expenditures, like sources of income and expenditure directions of the specified budget. The study aimed to study the revenues and expenditure indicators of the St. Petersburg budget to analyse the formation of budget funds and the direction of their expenditure. The study methods used in this work include specific legal, comparative legal, logical, system-structural, analysis, synthesis and other methods of generalising scientific material and practical experience. This topic was raised by such scientists as O.G. Arkadieva, N.V. Morozova, E.I. Mayorova, and E.Y. Gracheva. The author concludes that when forming the St. Petersburg budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit. It is done for the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period. The analysis of the budget of St. Petersburg for the past financial reporting period helps to identify and develop the most accurate draft city budget for the next reporting period.

*Keywords:* city budget, St. Petersburg, formation of budget funds, expenditure of budget funds.



#### ***Abbreviation:***

*AC* is Accounting Chamber of the State Duma of the Russian Federation,

*BC* is the Budget Code of the Russian Federation,

*B&TC* is the Budget and Taxes Committee,

*RF* is the Russian Federation,

*SD* is the State Duma of the Russian Federation.

#### **Introduction**

The relevance of the work lies in the fact that each subject, as part of the entire Russian Federation, has its budget. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is worth forgiving that any budget, regardless of its level, always consists of three elements: formation, distribution, and execution. The activity of each entity is inextricably linked with cash, which is why it is so significant to focus on processing its formation and distribution.

The Russian Federation's legislation defines the budget. Thus, Article 6 of the BC understands the budget as a way of forming and spending funds intended for financial support

of the tasks and functions of the state and local self-government. Without funds or a well-designed spending system, it is impossible to imagine any subject in Russia.

All Russian subjects have an independent budget focused on fulfilling expenditure obligations. The budget is determined by three interrelated factors: the formation, distribution, and use of funds.

The federal city budget was chosen to study the process of forming and distributing funds in this region.

The study object is the St. Petersburg budget, including the formation and expenditure of funds in this region and the current state of the budget (its deficit or surplus).

The study subject is indicators reflecting the amount of budget revenues and expenditures, like sources of income and expenditure directions of the specified budget.

The study aims to examine the indicators of revenues and expenditures in the St. Petersburg budget, to analyse the formation of budget funds, and to determine the direction of their expenditures.

According to the goal, the following tasks were set when writing the work:

- give general characteristics of St. Petersburg as Russia's subject;
- study the St. Petersburg budget income and expenditure indicators;
- analyse the formation and distribution of the St. Petersburg budget funds;
- compare the St. Petersburg budget with other subjects in Russia.

The research methods used in this work include unique legal, comparative legal, logical, system-structural, analysis, synthesis and other methods of generalising scientific material and practical experience.

Scientists such as O.G. Arkadieva, N.V. Morozova, E.I. Mayorova, and E.Y. Gracheva raised this topic.

The study's practical significance lies in the analysis and formation of conclusions regarding the structure of expenses and incomes of a particular Russian region.

## **The results of the study**

### **Theoretical aspects of forming the Russian Federation subject budget**

#### ***Budget formation and execution principles***

According to G. Arkadieva, the budget is an economic category, implementing the redistribution of gross domestic product (GDP), financial regulation and incentives, ensuring the stable functioning of the public administration sector, like the country's social policy (*Arkadieva & Berezina, 2023, p. 8*).

In addition, the budget can be defined as an economic entity's main financial plan, demonstrating the sources of income and spending directions.

According to N. M. Sabitova, the principle is a feature of the structure of the state budget system established by legislation (*Sabitova, 2013*). One cannot disagree with this concept since countries' budget systems may differ radically, which means that the principles of their budget systems will vary accordingly.

According to E.I. Mayorova, the budget process is based on principles, compliance with which makes it possible to most effectively implement and use the budget so that the state's

funds are used with maximum benefit for the development of society (*Mayorova & Khrolenkova, 2020, p. 70*).

Chapter five of the BC enshrines the principles of the budget system:

- the principle of budget system unity;
- the principle of dividing income and expenses between the levels of the budget system;
- the principle of budget independence;
- the principle of the income and expenses display completeness in the budget;
- the principle of budget balance;
- the principle of efficiency and economy in using budgetary funds;
- the principle of general coverage of budget expenditures;
- the principle of transparency;
- the principle of budget reliability;
- the principle of budget funds targeting some expense types (*The Budget Code, 1998*).

The budgetary system unity principle implies a legislation commonality, a standard state monetary system, in which the only means of payment is the Russian ruble. In addition, the commonality of financial and budgetary documents, the integrity of the budget formation stage, and the equivalence of liability measures for violations of the current law in budget regulation are also important. The commonality and equivalence of a single process of financing budget expenditures and the accounting procedure for budget funds at all integrated system levels.

The principle of dividing income and expenses between the budget system levels implies distributing some income and costs for Russia's specific authorities, subjects and local governments.

The budget independence principle establishes that each authorised entity performs the budget process independently at its level of the budget system. This means, e.g., that at the federal level, federal authorities determine the directions of expenditures; at the regional level, regional authorities, and at the municipal level, local governments.

The principle of the income and expense display completeness in the budget means that income and expenses, like other budget revenues established by law, must be reflected in the relevant budgets.

The balance principle means that the income amount indicated in the budget plan should be equal to or greater than the expenses. In addition, it is worth noting that the costs should consist of the minimum required amount.

The principle of efficient use of budgetary funds implies that when drawing up and executing the budget, the authorities should strive to achieve maximum results at minimum cost.

The principle of total budget expenditure coverage means that the total funds from budget deficit coverage revenues and sources should cover all expenditures.

No less significant is the transparency principle, which means mandatory publication in the open press of approved budgets, a report on their execution, and completeness of information about approved budgets, like the availability of other information by decision of legislative and representative authorities. Unfortunately, this principle is not always respected. Since not all budgets are fully disclosed, some budget information percentages remain classified.

The reliability principle indicates that when budgeting for the next planning and financial years, only reliable, truthful, reliable sources of information on the target indicators of the region's socio-economic development are used, such as the most realistic and truthful calculation of budget revenues and expenditures.

The budgetary funds targeting principle means allocating funds to specific budget recipients and designating goals for which the allocated funds are used.

The cash register budget unity principle provides for crediting all income and implementing all expenses from a single budget account of the Federal Treasury.

*Thus*, the preparation and execution of the principles of Russia's constituent entity budgets play a significant role. Principles are a fundamental element of the entire budgeting and execution process, the guiding principle of the budget process. Without knowledge and application of principles in budgeting, it will be impossible to estimate the expenses and incomes of Russia's constituent entity from a financial viewpoint. All the principles combine harmoniously and complement each other.

### ***The budget formation and execution process***

The budget formation and execution process are the same in Russia as a whole and in each subject. The difference lies only in the bodies performing this or that action and timing. In general, the author will consider the budget formation and execution process in Russia.

The budget process is divided into four stages:

- drafting the budget,
- reviewing and approving the budget,
- directly executing the budget itself,
- preparing a budget execution report.

So, next, it is necessary to analyse each stage in more detail.

The first stage is preparing a draft budget. This process is led by Russia's government, the relevant executive authorities of the subjects, and local governments. The Ministry of Finance, of Russia's constituent entity financial authorities, e.g., the Finance Committee of St. Petersburg, and municipalities are directly involved in drafting the budget.

Because the budget formation process is complex and multifactorial, it must be prepared no later than ten months before the start of the next financial year.

In turn, this stage can be divided into three stages:

- develop a forecast plan;
- allocate the maximum budget financing amounts by the Ministry of Finance;
- consider the project by Russia's Government and send it to the SD with the documents attached.

We are systematically moving on to the second stage of the most enjoyable process: considering and approving the budget.

At the same time, it is crucial to consider that Russia's government submits for consideration and approval to the SD a draft federal law on the federal budget for the next financial year and the planning period no later than October 1 of this year. Russia's President receives this bill at the same time as the SD. For example, the draft Federal Law "On the Federal

Budget for 2023 and the planning period 2024 and 2025” is worth submitting no later than October 01, 2022.

It is necessary to recall the SD’s organisational structure, which consists of many committees affecting a specific field of activity. Accordingly, the SD’s Council sends the documents required to the B&TC to prepare and bring them into compliance with current legislation.

A draft federal law is accepted only if it contains the documents specified in Article 192 of the BC. Otherwise, it is returned to the Government for revision and elimination of deficiencies. At the same time, Russia’s government has only ten days to eliminate its shortcomings.

Further, this bill is worth sending to other SD committees for making comments and suggestions and to Russia’s AC for giving an opinion. It is important to remember that the SD is limited to sixty days, as provided for its consideration in three readings.

Its concept, the forecast of the Russian Federation’s socio-economic development, the projected GDP volume, and the inflation rate are discussed during its consideration.

Also, all committees must prepare and submit conclusions and proposals on adopting or rejecting the submitted draft law, like proposals and recommendations on the first reading, within 10 days. After these actions, the B&TC prepares a consolidated general opinion on the SD’s draft law and a draft resolution on the adoption or rejection in the first reading of the draft federal law on the federal budget and submits them to the SD for consideration.

Suppose the draft federal law on the federal budget for the next financial year and planning period is rejected. In that case, it is submitted to the Conciliation Commission, which develops a version of the main characteristics within ten days. Upon completion of the conciliation commission’s work, the Government submits to the SD the agreed-upon main characteristics of the above-mentioned draft law of the federal budget.

The SD’s resolution on adopting the bill in the first reading completes the bill’s consideration in the first reading. Otherwise, it is considered rejected again in the first reading. It is significant to think that the repeated rejection of the draft federal law on the federal budget is possible only if the SD raises the issue of trust in the government.

Within 10 days, the B&TC prepares summary tables of amendments on the subject of the second reading and sends these tables to the relevant committees and Russia’s Government.

At the second reading, an appendix is adopted containing the departmental structure of federal budget expenditures for the next financial year and planning period according to the distribution of budget allocations approved in the second reading.

The bill is put to the vote as a whole for consideration in the third reading. The federal law on the federal budget for the next financial year and the planning period adopted by the SD is submitted to the Federation Council for consideration within five days from the date of adoption, which considers it within 14 days from the date. After approval, it is sent to the President of the Russian Federation within five days for approval and publication.

The Conciliation Commission is a significant body necessary to overcome the differences that would arise if the Federation Council or Russia’s President rejected the bill.

Remember that such a bill also contains secret articles closed to public access. Such articles are considered at a closed meeting of the Chambers of Russia’s Federal Assemblée.

Now, we can move on to the longest third stage, budget execution, from January 1 to December 31. According to Article 215.1 of the BC, the execution of the treasury budget has been established in Russia according to the cash plan and the consolidated budget list. Thus, it is performed by the Federal Treasury and its bodies.

It is necessary to revert to the budget execution principles, namely, the cash register budget unity principle. This principle provides for crediting all income and implementing all expenses from a single federal budget account.

Revenue execution, in turn, provides for the transfer and crediting of income to a single budget account and the distribution of regulatory revenues. The expenditure budget is executed within the limits of the actual availability of budgetary funds with mandatory prior authorisation and financing.

Due to Article 219 of the BC, authorisation is worth understanding as:

- preparing and approving a budget list,
- approving and notifying budget allocations to managers and recipients,
- approving estimates,
- approving and notifying limits,
- accepting monetary obligations of recipients,
- confirming and reconciling the use of budget funds.

Managers and recipients receive indicators within 10 days of approving the consolidated budget list. Within ten days from receipt of notification of budget allocations, the budgetary institution is obliged to draw up and submit an estimate of income and expenses for approval by a higher administrator. Within five days, the administrator approves it and transmits it to the Federal Treasury within one working day.

The budget obligation limit is worth understanding because it limits how much managers and recipients must spend on budget funds for a certain period.

The restrictions provided for by the current legislation have been established for budget funds. So, it is impossible to place budget funds on deposits. At the same time, there is also a legal regime in which foreclosure on budgetary funds is performed only based on a court decision providing for damages:

- (a) in the amount of underfunding if the funds have been approved as part of budget expenditures;
- (b) caused by the actions of public authorities.

A significant final stage is the reports: operational, quarterly, semi-annual, and annual. The SD approves the annual report on budget execution. The financial year ends on December 31, and the limits expire. Unused funds are credited to newly opened accounts.

The last and final stage is the preparation and approval of the budget execution report. The Government shall submit a report in federal law form to the SD no later than June 01 of this year. The AC checks the report and gives an opinion.

*Thus*, forming and executing the budget process is a very complex, multifaceted issue. The significance of budget adoption and execution cannot be underestimated. The entire financial reporting year will depend on a well-designed and balanced budget. This procedure for

approving and executing the budget is balanced and capable of considering the interests of all spheres of society.

### **The practical aspect of Russia's constituent entity budget on the example of St. Petersburg**

#### ***General characteristics of St. Petersburg as a subject of the Russian Federation***

The selected RF's subject is located in the Northwestern Federal District and is a city of federal significance within Russia. From 1714 to 1728 and 1732 to 1918, it was the capital of the Russian state.

The administration of the St. Petersburg District is headed by the head of the Administration, who is appointed and dismissed by the St. Petersburg Government.

St. Petersburg's territory consists of administrative-territorial units or districts. According to the Law of St. Petersburg, "On the Territorial Structure of St. Petersburg," 111 inner-city municipalities, including 81 municipal districts, nine cities, and 21 settlements, are located within the boundaries of the districts.

St. Petersburg is an RF subject in the form of a city of federal significance. It borders foreign countries from the west, namely Finland and Estonia. In the northeast, it borders Karelia with other subjects of the RF and the Novgorod and Pskov regions in the southern part of the subject. In the east, it borders the Vologda region.

The region's area is 1,439 sq. km, occasionally increasing due to alluvial territories. According to official Russian statistics, the city's population is 5,601,911 (2021).

St. Petersburg has an advantageous territorial location. It is located at the intersection of various transport routes and is close to the European commodity market. In addition, St. Petersburg represents the most significant historical and cultural value for Russia and the world.

The cultural sphere significantly improves the quality of life and ensures comfortable living conditions for the city's people. St. Petersburg is one of the most popular tourist destinations, with thousands of open leisure facilities. Nevertheless, more and more new leisure venues are opening up every year.

The concept of industrial, transport, scientific, educational, cultural and tourist centres directly relates to St. Petersburg. The basis of St. Petersburg's industry is heavy industry, including mechanical engineering. The city has developed transport engineering (JSC "Power Machines"), ferrous (PJSC "Severstal") and non-ferrous metallurgy (JSC "Krasny Vyborzhets Plant") are also of great significance. In addition, it is worth noting the production of electrical appliances (JSC "Leningrad Electromechanical Plant"). There are a large number of universities in the scientific and educational sphere in St. Petersburg, such as St. Petersburg State University, HSE in St. Petersburg, NWF RGUP, St. Petersburg Polytechnic University of Peter the Great, St. Petersburg State University of Economics, etc. Sustainable economic development is impossible without all these areas, which effectively complement each other.

St. Petersburg occupies the 4<sup>th</sup> place in the economy among the subjects. The city is inferior to Moscow, Tyumen and Moscow regions. However, the trend towards successful economic development continues in St. Petersburg, allowing the city to occupy a higher place in the Russian economy soon.



By the end of 2021, the gross regional product (GRP) characterising the state of the city's economy increased to 5,236 billion rubles (2020 – 5,235 trillion rubles), but such an increase is insignificant. Construction, manufacturing, trade, transportation and storage, and the activities of hotels, like catering enterprises, play the most significant roles in the St. Petersburg GRP.

Pharmaceutical materials remain one of the St. Petersburg economy's most promising and rapidly developing sectors.

According to Article 12 of the Law of St. Petersburg on the budget process, the preparation of the draft budget is performed by the St. Petersburg government. However, the financial authority directly prepares the draft budget. In addition, Article 6 of this law lists the participants in the budget process. Analysing their powers in budget adoption, it can be concluded that St. Petersburg has implemented a “system of checks and balances” when approving the budget plan for the next financial year, including executive authorities' supervision and control in budgeting. Thus, the draft budget, the monetary authority submits to the Legislative Assembly of St. Petersburg, and documents are forwarded to the Control and Accounting Chamber of St. Petersburg. The St. Petersburg government determines the procedures and deadlines for drafting the budget.

### ***St. Petersburg budget revenues***

E E.Y. Gracheva defines the budget as the central link of the society's financial system, like the economic basis for the state and municipalities to perform their functions (*Gracheva & Sokolova, 2021, p. 47*).

According to Article 6 of the BC, the budget is a form of funds for education and expenditure intended for financial support of the tasks and functions of the state and local government. The state and municipal budget is of great significance for the political and economic life of the country (*The Budget Code, 1998*).

The presented summary analysis table shows the characteristics of St. Petersburg's budget for 2020-2022 (*On the St. Petersburg Budget..., 2022*).

The report on the execution of the city's budget shows that the city is developing systematically despite the unforeseen expenses (*On the Execution..., 2022*). Thus, planned revenues from 2020 to 2021 increased by 165,330.1 thousand rubles, or 20.4%. Actual revenues grew in the same range.

There is a tendency to reduce costs when comparing planned and actual expenses. So, it is exciting to see the budget for 2022, surplus or deficit. As of December 2022, approximately 32.7% of the city's budget revenues remain unfulfilled. Undoubtedly, these funds are assumed to repay St. Petersburg's debt.

For 2022, St. Petersburg's budget will exceed 1 trillion rubles for the first time. This is despite the implementation of the city's development strategy. Thus, according to the city's development strategy, four main directions were identified. In turn, it can be characterised by four epithets: a comfortable city, a social city, a smart city, and an open town.

As part of the development of transport infrastructure, according to the instructions of the President of the Russian Federation, the following activities were identified in St. Petersburg:

- constructing a high-speed latitudinal highway, including the Vitebsk interchange,
- developing transport infrastructure,

- constructing a road interchange near Poklonnaya Gora,
- developing the St. Petersburg railway junction,
- developing the Kudrovo metro and overpasses across railway tracks.

For 2022, revenues of 1,107,902.3 thousand rubles and expenses of 1,066,085.7 thousand rubles are planned. Thus, the trend towards a budget surplus continues, and the budget surplus will amount to 41,816.7 thousand rubles.

The characteristics of the main St. Petersburg budget parameters have generally remained unchanged for 11 years. The dynamics of income excess over expenses continue. For example, 2018, before the coronavirus pandemic, revenues exceeded expenses by about 10 million rubles. However, in 2019, experts saw the opposite situation, where expenses already exceeded revenues by about 10 million rubles.

When analysing the city's income, you should consider the structural part that makes them up. Thus, the income bulk consists of two indicators: income tax and income for individuals. These two categories bring 71.2% of the city's total income. In 2021, the tax on individuals brought 41% of revenues to the city budget, and the income tax was 30.2%. The remaining positions represent a minor part of its revenue. The most unpopular ways to replenish the budget are state duty, fines, and income from the sale of property.

High growth rates (over 115%) in 2021 were observed for the following income sources:

- corporate income tax (144.9%),
- excise taxes (126%),
- corporate property tax (115.4%),
- personal income tax (115.1%).

The actual gratuitous receipts from other RF budgetary system budgets to the St. Petersburg budget in 2021 amounted to 52,219.5 million rubles, including grants of one billion rubles, subsidies of 7,828,651 million rubles, and subventions of 16,387 million rubles.

Based on the presented statistical data on St. Petersburg's income for 2021, it is worth noting that taxes and fees account for 88.9% of all income, non-tax revenues bring only 4.9%, and revenues from the federal budget and budgets of other RF's subjects amount to only 6.2%. St. Petersburg generally provides for itself through taxes; other receipts do not exceed 11.1% of all receipts. As in many other Russian regions, the income formation structure in St. Petersburg is formed mainly from tax revenues. Also, the low level of gratuitous receipts allows us to assert that such an RF's subject as St. Petersburg can provide for itself while not forgetting about its economic growth.

### ***St. Petersburg budget expenditures***

Actual expenses for 2020 amounted to 710,317 thousand rubles; for 2021, they amounted to 796,487.6 thousand rubles. The increase in costs was 86,170.6 thousand rubles or 10.8%. It is premature to talk about expenses for 2022 since, as of December 2022, the percentage of unused income was 30.2%.

The structural characteristics of the St. Petersburg budget expenditures for 2021 are presented below. Thus, the following structural categories account for the most expenses:

national economy, education, social policy, and health care. This cost allocation concept does not change in 2022 or the planned 2023.

The city's expenses can be divided into two categories: programme expenses and non-programme expenses. Non-programme expenses are only 7.5%, but programme expenses are 92.5%. That is why the researchers should focus on them in more detail.

As many as 18 government programmes have been adopted in St. Petersburg, the name of which can be seen below. After analysing the initial budget assignment with the actual execution, we can conclude that a single programme's implementation percentage is high. The total percentage of all programmes was 92.5%. It follows from this that the executive authorities have identified the most significant sectors of the implementation of state programmes and closely monitor their implementation.

The dynamics of expenditure by focus for 2021 are presented next. These goals will not radically differ from 2020, 2022, and 2023. As you can see, it is planned to spend 24% on the education block, 20% on the national economy, 15% on health care, and 19% on social policy. Thus, the social orientation of St. Petersburg's budget expenditures is emerging.

The author analysed the sections of the classification in comparison with previous years' periods. So, in almost all cases, there is a planned expenditure of funds. The increase in expenses by category varies slightly, according to needs. However, what is noteworthy is the cost of healthcare, which increased most significantly in 2020 and 2021. These changes are closely related to the COVID-19 epidemic. The second section, which will dramatically increase, is on servicing state (municipal) debt.

As of January 01, 2022, St. Petersburg's state debt amounted to 85,006.1 million rubles. To implement the programme to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased accordingly.

Thus, a budget element such as expenses is formed based on the most significant spheres of society's life. These areas include healthcare, education, social protection, and the economy. They are designed to ensure a systematic and qualitative improvement in citizens' lives.

### ***The directions of St. Petersburg debt policy***

The St. Petersburg debt policy, according to the Decree of the St. Petersburg government No. 1029, dated December 03, 2020 (*On the Approval...*, 2020), has the following directions of public debt policy for 2021 and the planning period of 2022 and 2023:

- increasing the efficiency of public borrowing;
- optimising the structure of public debt to minimise the cost of servicing it;
- maintaining debt sustainability within safe zones;
- ensuring conditions for maintaining credit ratings at the level of Russia's sovereign credit ratings.

The factors that determine the direction of St. Petersburg's debt policy in 2021-2023 are:

- the impact of St. Petersburg's economic situation deterioration risks as a result of a decrease in its income;
- the need to apply additional measures to support the population and economy of the city to mitigate the effects of the pandemic caused by COVID-19;

- the probability of forming a global economy with different dynamics characterised by low economic growth rates;
- high volatility in emerging markets;
- the need to finance the budget deficit;
- maintaining the need for financing large investment projects;
- the need to maintain high debt sustainability following the BC.

### ***The state debt of St. Petersburg***

The debt policy aims to ensure St. Petersburg's budget balance while maintaining a high degree of debt sustainability, such as timely fulfilment of debt obligations.

The St. Petersburg's debt policy tasks are (*On the Approval...*, 2019):

- increasing the efficiency of government borrowing;
- optimising the public debt structure to minimise the cost of servicing;
- maintaining debt sustainability indicators within safe zones;
- ensuring conditions for maintaining credit ratings at the level of Russia's sovereign credit ratings.

As of January 01, 2022, the amount of St. Petersburg's public debt corresponded to the restrictions established by Article 11 of the Law of St. Petersburg No. 549-114, dated November 25, 2020 (*On the St. Petersburg Budget...*, 2020). Excluding gratuitous receipts, St. Petersburg's public debt volume ratio on the specified date to the actual annual budget revenues volume is 10.7%, with the limit value of this indicator established by the BC at the level of 50% for Russia's subjects classified as a group of borrowers with high debt sustainability. Therefore, this indicates the high debt sustainability of the St. Petersburg budget. As part of implementing the programme to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased.

St. Petersburg's debt policy's main determining directions in 2021-2023 are:

- the need to apply additional measures to support the population and economy of the city to mitigate the consequences of the pandemic caused by COVID-19;
- high volatility in the financial markets of developing countries;
- maintaining the budget deficit;
- the need to finance large investment projects;
- the prospect of the need to finance the budget deficit;
- the need to maintain the debt sustainability of the city at a high level.

The St. Petersburg government presented a summary graph of the public debt and a graph of expenses related to servicing the public debt. Unfortunately, there have been no trends towards reducing public debt over the past seven years and the planned next two years. It continues to grow steadily. At the same time, its ratio to the city's tax and non-tax revenues will also increase. In 2020, this figure was 25.4%. In 2021, it is already equal to 37.7%.

Nevertheless, the St. Petersburg Finance Committee is taking all possible measures to reduce it. However, as of December 01, 2022, St. Petersburg's state debt amounted to 94,675.4

million rubles. Thus, 1.4% of their expenses were spent only on debt servicing in 2021. And in 2023, according to planned calculations, this figure may amount to 2.5%.

All 100% of the city's public debt consists of debt obligations on St. Petersburg securities.

In summary, regarding the selected entity's debt policy, it can be argued that the St. Petersburg budget is currently in deficit, although it was in surplus in 2023. However, while this entity has a huge public debt, discussing a surplus budget is impossible.

### Conclusion

Based on the analysis, several provisions can be deduced. When forming St. Petersburg's budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit; this is done to make the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period.

St. Petersburg's budget analysis for the past financial reporting period helps to identify and develop the most accurate draft budget of the city for the next reporting period.

According to the statistical report on budget execution, revenues in 2021 reached 807,599.3 million rubles or 100.5% of the indicator approved by the Budget Law for 2021. Actual revenues amounted to 843,344.7 million rubles or 104.4% of the figure approved by the Budget Law for 2021.

Unfortunately, for the St. Petersburg citizens, the central part of the St. Petersburg income, like any other budget, is income tax in the amount of 30.2% of all income and tax on individuals in the amount of 41.2%. In any case, despite the high taxes and high growth rates, the city also bears the corresponding costs for the socio-economic improvement of the lives of the city's citizens. Although implementing the St. Petersburg development strategy is not going very smoothly, the city is systematically moving towards its goal.

One of St. Petersburg's main goals is to reduce its debt. Despite the unfavourable trend towards increasing debt, we also observe a trend towards growing expenses for servicing it. So, with favourable conditions, it may be possible to repay the debt in full in the foreseeable future.

The current economic, political, and social situation, both in the whole country and separately in St. Petersburg, makes city development difficult. The budgets for 2021 and the planned 2022 and 2023 are in deficit. Not so long ago, the concept of a "surplus budget" was withdrawn from the Russian Federation's budget code. This event will allow for more efficient use of funds. After all, in an ideal economic system, the city's budget should be neither deficit nor surplus.



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## **Features of the Central Bank's activities at the present stage of Russian Federation development <sup>[3]</sup>**

*Abstract:* This article examines the legal situation and its elements, like the practical activities of the Central Bank of the Russian Federation. The role of the Bank of Russia is enormous: the stability and growth of our country's economic potential depend on its work. It ensures financial stability in Russia, develops the economic policy of the supreme federal executive authority, maintains the national currency, and implements monetary policy and stability. It also performs monetary issuance. Its primary function is to protect and ensure the ruble's stability, etc. The place of the Central Bank is enormous and is determined by its legal status in the banking system of the Russian Federation. The legal status of the Central Bank is unique; therefore, it is necessary to consider the elements of the legal position of the Central Bank, which have their uniqueness. The study object was social relations arising from the legal status and practical implementation of the functions and powers of the Central Bank. The study subject was the norms of Russian legislation regulating the legal status and practical work of the Central Bank. The study aimed to research the legal situation, its elements and the practical activities of a unique public law institution. The study used analysis, induction, abstraction, generalisation, etc. Private scientific methods – the normative legal analysis method, the formal legal method, etc. – are used in the work process. To achieve the purpose and tasks of the study, various sources were used, namely various regulatory legal acts that disclose the legal status of the Central Bank, scientific articles, textbooks, and Internet resources, including the works of A.M. Borisova, S.N. Keramova, E.Y. Gracheva, N.I. Khimichev, and E.V. Pokachalov. The author concludes that the Central Bank has a significant impact on the economic situation in the Russian Federation. The author defined the Central Bank's legal status as a unique public law institution, as it calls itself this way on its official website.

*Keywords:* Central Bank of the Russian Federation, monetary policy, public law institute, legal status of the bank.



### ***Abbreviations:***

*CB* is the Central Bank of the Russian Federation,

*CBCP* is the Central Bank's coin platform,

*Constitution* is Constitution of the Russian Federation,

*FPS* is Fast Payment System in Russia,

*OLF* is organisational and legal form,

*NPO* is non-profit organisation,

*NPCS* is National Payment Card System in Russia,

*RF* is the Russian Federation.

### **Introduction**

This article examines the legal situation and its elements, like the practical activities of the CB of the RF. The CB occupies the top level of the Russian banking system. The CB's role is

enormous: the country's economic potential stability and growth depends on its work, it ensures financial stability in Russia and develops the supreme federal executive authority economic policy (*On the Central Bank...*, 2002, art. 2790), maintains the national currency, implements monetary policy, etc. stability (*On the Central Bank...*, 2002, art. 2790). It also performs monetary issuance; its primary function is to protect and ensure the ruble stability, etc. (*The Constitution...*, 1993). In the RF banking system, the CB place is enormous and is determined by its legal status. The CB's legal status is unique, so it is necessary to consider the CB's legal position elements as unique.

The study object is social relations arising from the legal status and practical implementation of the CB's functions and powers.

The study subject is the Russian legislation norms regulating the legal status and practical work of the CB.

The study aimed to research the legal situation, its elements and the practical activities of a unique public law institution.

To achieve the purpose of this work, the following tasks must be performed:

- determine the current legal status of the CB;
- identify and consider the components of the legal status of the CB;
- study the practical implementation of the functions and powers of the bank, occupying the upper level of the Russian banking system in cash circulation;
- study the activities of the bank, which occupies the top level of the Russian banking system in the national payment system;

To identify the role of a unique public law institution in cash circulation and the national payment system.

The study used methods such as analysis, induction, abstraction, generalisation, etc., like private scientific methods – the normative legal analysis method, the formal legal method, etc. – in the work process.

To achieve the purpose and tasks, various sources were used, namely various regulatory legal acts that disclose the CB's legal status, scientific articles, textbooks, and Internet resources, including the works of A.M. Borisova, S.N. Keramova, E.Y. Gracheva, and N.I. Khimichev, and E.V. Pokachalov.

## **The results of the study**

### **The legal status of the Central Bank**

#### ***The current problem of the legal status of the Central Bank***

The issue of the legal status of the CB causes much discussion among scientists. There are different opinions on this in the scientific literature. The diversity of scientific viewpoints on the legal status of the CB is explained by the fact that Russian legislation does not contain a clear definition of it.

It is necessary to consider different positions when establishing the legal status of the CB.

It is common to believe that the CB is an institution (*Tsaregorodtseva, 2018*). Current Russian legislation says that the CB is a legal entity, but it does not mention anything about the OLF of this bank. The Russian law on banks and banking defines the concept of a bank through a credit



institution. In turn, a credit institution is a legal entity, the primary purpose of which is to make a profit. The OLF of a credit institution is a business entity, regardless of the form of ownership. The law of the Russian Federation on the CB indicates that the purpose of the bank's activities is not to make a profit. Therefore, it can talk about an NPO. It turns out that the norms of the Federal Law "On Banks and Banking Activities", establishing the OLF of a credit institution, do not apply to the CB.

The NPO is focused on achieving public benefits. The main objectives of the CB include protecting and ensuring the stability of the ruble, such as ensuring the Russian financial market's stability (*On the Central Bank...*, 2002). Thus, the goals of NPOs and the CB are similar in orientation.

The CB should function only in the OLFs, as provided by Russian civil legislation. The legal status of the CB is determined by the Constitution and the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)" (*The Civil Code...*, 1994), i.e., there is a reference to other regulatory legal acts. Consequently, the issue of the application of the RF's civil legislation norms to the legal status of the CB remains unresolved.

Other scientists agree that the CB can be called an independent public authority (*Borisova*, 2021). In support of their opinion, they cite the following arguments:

- The CB is endowed with state authority (*On the Central Bank...*, 2002);
- The CB operates "independently of other state authorities" (*The Constitution...*, 1993).

Based on the norms of the Constitution, it becomes clear that the CB is involved in public authorities. He does not exercise state power in the sense of the word in which we used to think. This viewpoint can be refuted by part 1 of article 11 of the Constitution, where the CB is not listed in the closed list of state authorities. However, it can also be confirmed by the fact that in the Constitution article's above-mentioned part, only the leading representatives of the government are indicated. It is worth noting that the above norm also says that the CB has features of independence, which are confirmed by a special law dedicated to this body, where independence is seen in its functions and powers. It is impossible to talk about the complete independence of the CB since it interacts with Russia's government, is accountable to the State Duma, etc. – acts according to the procedure established by law (*On the Central Bank...*, 2002), etc.

There are also other viewpoints about the CB's legal status.

On its official website, CB is defined as a unique public law institution (*Legal status and functions*, 2021). Studying this institute's website can identify and distinguish the following inherent features from other bodies and institutions: Firstly, it is not a public authority. Secondly, its powers relate to state power functions, implemented using coercive measures. This viewpoint can be refuted. For example, part 1 of article 11 of the Constitution specifies only the government's prominent representatives (*The Constitution...*, 1993).

Summing up all of the above, we can conclude that the legal status of the CB is not fixed at the legislative level. The legal status of the CB is currently fixed only at the Internet level. The following solutions are proposed as a solution to the problem (*Bartashevich*, 2023):

- Determination of the legal status of the CB by including it in part 1 of article 11 of the Constitution (*The Constitution...*, 1993). It turns out that it is worth attributing to state authorities;

- Interpretation by the RF's Constitutional Court of article 75 of the Constitution (*The Constitution..., 1993*). To wait for the clarifications that the specified judicial authority will give about our controversial problem;
- Fix the CB's legal status in Federal Law No. 86-FZ (*On the Central Bank..., 2002*), e.g., take a phrase from the official website that the CB defines the Bank of Russia as a specific public law institution, etc.

It is worth repeating that, to date, the CB's status has not been specifically fixed at the legislative level. So, it is worth following the CB's employees' explanations on this bank's official website about the CB's legal status. Today, it is correct to call the CB a specific public law institution since it is so-called by the bank's employees. Experts hope the above wording will be fixed at the level of the law soon.

### ***Elements of the Central Bank's legal position***

The bank activities occupying the Russian banking system's upper level are regulated by a fundamental law like the Constitution, which created the basic principles for developing other regulatory legal acts regulating its activities. Article 75 of the Constitution establishes the CB's special constitutional and legal status (*The Constitution..., 1993*). Part 1 of article 75 of the Constitution states that the CB exclusively issues money, and part 2 of article 75 of the Constitution says the CB's primary function is to protect and ensure the ruble's stability (*The Constitution..., 1993*). Also, according to article 1 of the Federal Law No. 86-FZ, the CB's status, objectives, functions and powers are also determined by this law (*On the Central Bank..., 2002*) and other federal laws, e.g., Federal Law No. 395-1 (*On Banks..., 1990*) and Federal Law No. 173-FZ (*On Currency Regulation..., 2003*), etc.

Based on Federal Law No. 86-FZ, it would be correct to highlight the following components of the legal status of a particular public law institution:

1. The principle of independence (*The official website of the Central Bank..., 2021*). The CB is a specific public law institution with the exclusive right to issue money and organise circulation. CB does not belong to the state authorities. The CB exercises its functions and powers independently of public authorities. The CB's independence is emphasised by the Basic Law of the Russian Federation, and it manifests itself in the fact that the Bank of Russia has an exclusive monopoly on the issue of money. Independence in finance is manifested in the fact that the CB performs its expenses at the expense of its income. The state is not responsible for the CB's obligations, and the CB is not responsible for the state obligations unless they have assumed such obligations or otherwise provided by federal laws.
2. The legal status of the CB includes the objectives of its activities. Article 3 of the Federal Law No. 86-FZ (*On the Central Bank..., 2002*) specifies five CB's tasks:
  - ruble protection and stability;
  - RF's banking system development and strengthening;
  - ensuring the national payment system stability and development;
  - developing of the RF's financial market;
  - ensuring the RF's financial market stability.

3. Functions. According to article 4 Law No. 86-FZ (*On the Central Bank...*, 2002), the CB implements a sufficient number of functions, the list of which is subject to extensive interpretation, e.g., the CB, in cooperation with Russia's government, develops and implements a unified state monetary policy, establishes and publishes official foreign exchange rates against the ruble, organises and implements currency regulation and currency control, issues banking licenses and much more. Two new functions that have appeared at the CB since 2023 are the organisation and operation of the digital ruble platform, and the CB now regulates, controls and supervises the activities of payment acceptance operators. Special laws also contain the functions of a bank occupying the upper level of the Russian banking system, e.g., according to article 25 of Federal Law No. 325-FZ, the CB ensures the implementation of a unified state policy in organised auctions, establishes requirements for the procedure for conducting organised auctions, etc. (*On Organised Auctions*, 2011), also according to article 25 of Federal Law No. 7-FZ, the CB regulates clearing activities and the activities of the central counterparty, establishes requirements for the activities of the clearing organisation and the activities of the central counterparty and much more (*On Clearing...*, 2011).
4. The CB is a legal entity (*On the Central Bank...*, 2002, art. 2790) with a fixed authorised capital of three billion rubles. The authorised capital and other CB property are federal property; the CB independently exercises the authority to own, use, and dispose of the CB property, including its gold and foreign exchange reserves.
5. The judicial element. According to article 6 of the Federal Law No. 86-FZ (*On the Central Bank...*, 2002), the CB has the right to file lawsuits.
6. Rulemaking. According to article 7 of the Federal Law No. 86-FZ (*On the Central Bank...*, 2002), the CB issues regulatory acts in the form of instructions, regulations and instructions that are mandatory for state authorities (federal and regional levels) and local governments, all legal entities and individuals. Examples include the Instruction of the CB No. 204-I, dated June 30, 2021 (*On Opening...*, 2021), The Regulation of the CB No. 630-P, dated January 29, 2018 (*On the Procedure...*, 2018), Instruction of the CB No. 5939-U, dated September 21, 2021 (*On Amendments...*, 2021), etc. Also, according to article 7 of the Federal Law No. 86-FZ (*On the Central Bank...*, 2002), it is worth noting that draft federal laws, like regulatory legal acts of federal executive authorities that relate to the performance of the CB's functions, are sent to the CB for conclusion. According to part 1 of article 104 of the Constitution (*The Constitution...*, 1993), the CB does not have the right to legislative initiative.
7. Accountability to the State Duma. According to Art. 5 of Federal Law No. 86-FZ (*On the Central Bank...*, 2002), the CB is accountable to the State Duma of the Federal Assembly. For example, the State Duma reviews the CB's annual report and decides on it, considers the main directions of the unified state monetary policy, and decides on them. The CB submits information to the State Duma and Russia's President according to the procedure established by federal laws.

From the above, it can be concluded that the bank's legal position, occupying the Russian banking system's upper level, consists of many elements that make this public law institution unique. The CB's rights and obligations follow from its functions. The elements included in the

CB's legal status enable this institution to develop the economic component of the Russian Federation within the competence assigned to it.

### **Practical activities of the Central Bank**

#### ***Cash circulation***

A unique public law institute is engaged in Russia's monopoly issue of money. The ruble is the Russian official monetary currency (*On the Central Bank...*, 2002).

In March 2021, the CB approved the main directions for developing cash circulation for 2021-2025 (*The main directions...*, 2020). Based on the analysis of this document, the CB sets itself the following tasks:

- (1) Improve the quality of banknotes issued into circulation. Today, the Bank of Russia issues lacquered banknotes that denote 200 and 100 rubles. Banknotes of other denominations will be varnished. Therefore, the life of banknotes will be extended.
- (2) Optimise cash turnover through cash services in the divisions of credit institutions using cash owned by the CB. In the above-mentioned years, it is planned to significantly increase the number of credit institutions and their divisions working with cash belonging to the CB. Currently, there is the following situation: constant transportation of funds between the divisions of the CB and credit institutions since cash is stored in the CB, etc. It is proposed that part of the money of the CB be transferred to the cash desks of credit institutions to reduce the cost of constant transportation of funds, etc.
- (3) Increase coin turnover and optimise coin circulation. During the coronavirus pandemic, there was a problem with returning coins to payment circulation. To maintain demand for coins, the CB regularly manufactures and introduces the necessary volumes of coins. The CBCP optimises coin flows. It redirects coin flows from organisations receiving them from the public to organisations needing them. By 2025, the CBCP should operate in 48 regions with an annual turnover of at least 2.4 billion rubles (3,000 tons of coins).
- (4) Increase the efficiency and reliability of the cash circulation infrastructure through automation, robotisation and digitalisation, e.g.,
  - (a) the introduction of modern robotic systems will eliminate manual labour. Currently, in many CB departments, complex technological equipment has been introduced for cash processing, increasing the pace and security of operations;
  - (b) expanding electronic document management: Actively introducing electronic signatures and biometrics.
- (5) Improve the CB's internal business processes, e.g., an increase in the practice of destroying defective coins on the ground. To eliminate this problem by the beginning of 2021, expensive foreign-made equipment was used, located only in the European part of Russia and in the Urals, i.e., in only two CB divisions. Transportation is a significant expense. For this reason, in 2021-2022, the CB will equip eight CB divisions with such equipment, giving them a measure of possible behaviour, such as destroying a defective coin. Thus, we will observe a reduction in costs. An example is the expansion of the use of enlarged packaging.
- (6) Increase readiness to work in a new type of emergency (e.g., updating action plans in an emergency, etc.).

Digitalisation affects cash circulation (*The main directions...*, 2020). A mobile application was released in “Banknotes of the Central Bank” in 2018. The application contains information about CB banknotes and their security features. The application does not verify the authenticity of banknotes, but it can help people do it without assistance. The mobile application concerns four types of signs: those checked for lumen, when magnified, by touch or when the viewing angle changes. This application helps to establish the presence of security features for various denominations of banknotes. In 2021-2025. They plan to develop this application: they want to expand the range of users of this application by adapting it for people with visual and hearing impairments.

In 2019, a specific public law institute launched a distance learning programme to determine the authenticity and solvency of banknotes. Free training has been developed for trade organisations’ employees. Almost 2,600 cashiers went on training in 2019-2020.

Consider the diagrams of the specific gravity of individual banknotes and individual coins as of January 01, 2024 (*The specific weight...*, 2023) (*Figure 1*).

Based on the diagram, the following conclusions can be drawn about the specific weight of individual banknotes in the total amount:

- (1) 5000-ruble banknotes occupy the most significant share – it is 38%;
- (2) The 1000-ruble banknotes (17%) and the 100-ruble banknotes (15%) occupy a less significant share compared to the 5000-ruble banknotes, respectively;
- (3) The 500-ruble and 10-ruble banknotes occupy almost the same share – the first 6% and the second 7%, respectively;
- (4) banknotes with a nominal value of 10 rubles – 7%, 50 rubles – 8% and banknotes with a nominal value of 2000 rubles – 4% occupy a small proportion;
- (5) The 200-ruble and 5-ruble banknotes occupy the smallest share – 2% and 3%, respectively.

Based on the diagram (*Figure 2*), the following conclusions can be drawn about the specific weight of individual coins in the total amount:

- (1) the largest share in the chart is 10 kopecks – 35%;
- (2) the second place in terms of specific place compared to 10 kopecks (35%) is 1 ruble – 14%;
- (3) the same specific weight is occupied by 1 kopeck and 50 kopecks – 10%, 1% more specific weight for 10 rubles – 11%, 2% less than 1 kopeck and 50 kopecks less specific weight for 5 kopecks – 8%;
- (4) the minor specific gravity takes 5 rubles – 5%, slightly more specific gravity by 2% for 2 rubles – 7%.

Thus, the two most relevant diagrams of the specific gravity of individual banknotes and individual coins in the total amount were analysed. As a result, we can see the current state of the particular gravity of banknotes and coins.

Speaking of innovations, it is important to mention that on June 30, 2022, the CB introduced a modernised banknote with a face value of 100 rubles. This banknote is dedicated to Moscow and the Central Federal District. The hundred-ruble banknote contains an enhanced protective complex similar to the one developed for the 200-ruble bill. In October 2023, the CB introduced a new banknote with a face value of 5,000 rubles (it depicts the sights of Yekaterinburg and the Ural Federal District). The new banknotes have strong protection.

Consider the change in the circulation cash amount (*Figure 3*).



As of October 01, 2023, the amount of cash in circulation is approximately 18.5 billion rubles (*Cash circulation, 2023*). Last year, as of October 01, 2022, there were 15.2 billion rubles, i.e., compared to last year, there is an increase of 3.3 billion rubles. Considering the period from October 01, 2022, to October 01, 2023, it can be noted that the most significant amount of cash in circulation just on October 01, 2023, was 18,466.4 billion rubles. A smooth increase in cash was observed from October 01, 2022, to December 1, 2022, and then from December 01, 2022, there was a rather sharp jump of 780.9 million rubles (as of January 01, 2023). Then, from January 01, 2023, to February 01, 2023, the amount of cash in circulation decreased by 166.3 billion rubles. Then, starting from February 01, 2023, there has been a gradual increase in cash circulation.

Thus, the CB is key in managing cash circulation in Russia. He issues money, fights counterfeiting, etc. This unique public law institute has approved a document on the main directions of cash circulation development. It tells us what the CB has achieved and what it still has to do. Having studied the practical implementation of the CB's functions and powers in cash circulation, it becomes clear that the amount in circulation has increased compared to last year, etc.

### ***National payment system***

The CB is responsible for maintaining the stability and proper functioning of the state payment system in Russia, such as creating and developing the necessary infrastructure for conducting non-cash payments. As of October 1, 2023, the NPS includes 27 payment systems and 361 money transfer operators (*The national payment system, 2020*). Notably, in the first nine months of 2023, the share of non-cash transactions in retail sales reached 82.4% (*The national payment system, 2020*).

In 2014, the CB became the founder of the NPC (The national payment system, 2020). The MIR cards were created on this basis.

MIR cards were developed in response to the threat of Russian banks being disconnected from international payment systems such as Visa and Mastercard. They are issued by Russian banks and used to pay for goods and services, like withdrawing cash from ATMs. They can also be used for online purchases and payment for services over the Internet.

MIR cards offer advantages such as safety, reliability, and convenience. In addition, they offer many discounts and bonuses for cardholders.

This card is valid throughout Russia, like Armenia, Tajikistan, Belarus, Kazakhstan, Cuba, and Vietnam (*How Mir cards..., 2023*). These cards work in different ways in each country; for example, in Belarus, they can be paid almost everywhere, and in Vietnam, they are serviced by only one bank. As of the third quarter of 2023, about 256 million MIR cards were issued. Currently, MIR accounts for 52.5% of the total volume of card transactions in Russia and 51.6% of the total number of issued cards.

Any RF citizen can open this card. A man needs an MIR card to receive the following payments: pensions, a lump sum at the birth of a child, maternity benefits, unemployment benefits, etc. The MIR card ensures the country's financial independence from external factors.

In 2019, based on the NPC established by the CB, an FPS was created, allowing Russian citizens to instantly transfer money to each other by mobile phone number, like pay for purchases

and utilities. As of January 01, 2024, the number of banks participating in the FPS is 221 (*The national payment system, 2020*). Over the entire period of operation of the system, more than 11.2 billion transactions were performed for a total amount of 51.3 trillion rubles (*The national payment system, 2020*).

From all of the above, we can draw the following conclusions:

- (1) MIR is an important element of the national payment infrastructure, providing security and convenience for millions of Russians.
- (2) FPS plays an important role in Russia because it allows citizens to transfer money between banks quickly and conveniently. It also helps reduce the transfer cost, as it does not require the recipient's bank details. In addition, the FPS allows you to pay for goods and services without using bank cards, which may be convenient for some users.
- (3) Thanks to the CB, an NPCPS has appeared. On its basis, the FPS and the MIR card were created; at the moment, they have become convenient attributes for the life of citizens because they have a vast number of advantages for the life of a modern citizen.

### **Conclusion**

The CB significantly impacts the economic situation in the RF. The welfare of the RF's citizens and others depends on its activities. The CB is trying to develop to bring even more significant benefits to its country.

Having investigated the problem of determining the legal status of the CB, it became clear that the CB should more correctly be called a unique public law institution based on information posted on the official website of the CB. However, many scientists still write about the legal status of the Bank of Russia since the CB's status is not legally fixed. Some scientists call it a state authority, some an institution, etc. It would be correct to consolidate the legal status of the CB as a specific public law institution at the legislative level so that the disputes of scientists who study this problem stop.

The author defines the CB's legal status as a specific public law institution, as the bank calls itself in this way on its official website. The CB's legal status includes the following elements: the principle of CB's independence, the goals of its activities, the CB's functions, the CB is a legal entity, a rule-making element, a judicial element, and accountability to the State Duma.

Those functions are fixed by Federal Law No. 86-FZ (*On the Central Bank..., 2002*) and in other laws, the CB pretends to be implemented while bringing huge "fruits". As a specific public law institution, the CB plays a considerable role in the RF's development, performing various activities. The CB activity brings enormous results. The CB introduced a modernised banknote with a face value of 100 rubles in 2022 and 5000 rubles in 2023; in March 2021, the CB approved the main directions for developing cash circulation for 2021-2025 (*The main directions..., 2020*), the CB has a phone application "Banknotes of the Bank of Russia" helping people verify the authenticity of banknotes, the CB publishes on its official website the results of its monetary policy, etc., the CB has established an NPCPS. The MIR card and the FPS were created based on it, and millions of Russian citizens use them. This is not an exhaustive list of what this bank does.

Studying the above-mentioned unique public law institution, it is worth noting that despite the difficulties that arise for the CB due to various causes (the coronavirus pandemic, etc.), it adequately withstands them.



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## Appendix

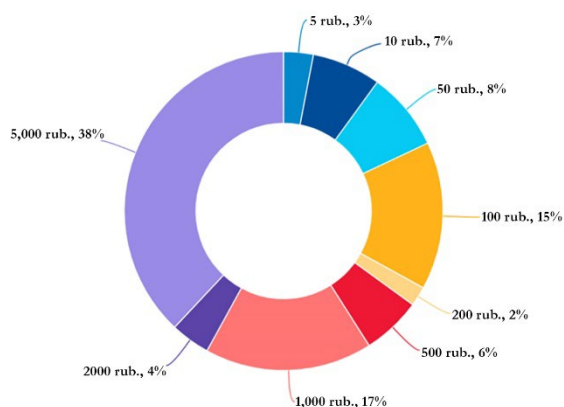


Figure 1. Diagram of the specific gravity of individual banknotes and individual coins in total as of January 1, 2024

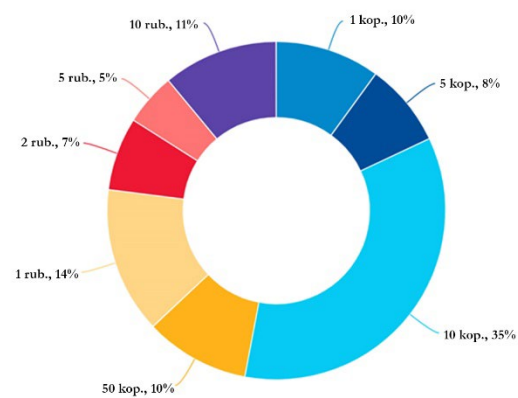


Figure 2. Diagram of the specific gravity of individual coins in their total number

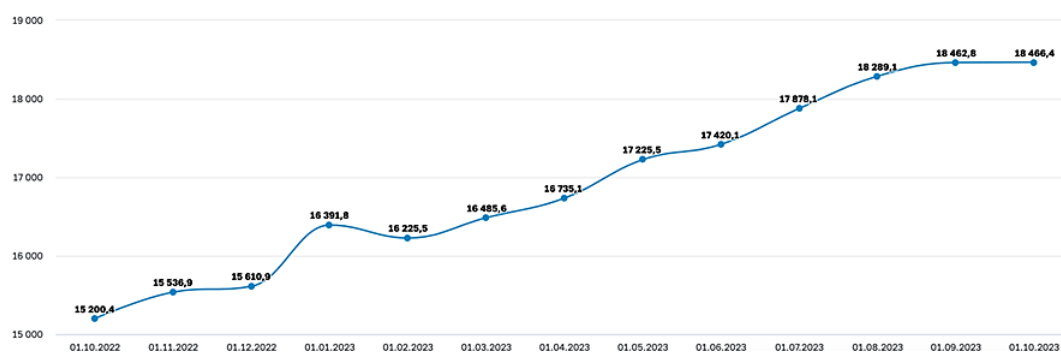


Figure 3. Change in the amount of cash in circulation (in billiards of rubles)

## **Audit (control) by the Accounting Chamber of the Russian Federation for ensuring the housing rights of orphaned children <sup>[4]</sup>**

*Abstract:* This study is devoted to a very important topic – providing housing for orphaned children. The fact is that today, there are problems that have no solution. Some subjects are making progress in this area, but, unfortunately, statistics show, on the one hand, an increase in waiting lists for orphans. On the other, a decrease in housing provision for orphans requires special attention. Question: What are the reasons? What solutions should be taken today? The Accounting Chamber of the Russian Federation is the key speaker. Her role in this issue is revealed.

*Keywords:* orphans, Accounting Chamber of the Russian Federation, audit, local governments, problematic issues of ensuring the housing rights of orphans, minors, housing certificate.



### **Introduction**

The Accounts Chamber of the Russian Federation is the leading organisation that conducts independent audits. Audit, that is, control, assesses the effectiveness of local government activities. In particular, the Accounting Chamber checks the legality, targeted nature, and effectiveness of the municipality's use of the subject's budget.

The Accounting Chamber publishes the planned scope of work on its website every year. Thus, the work plan may include measures to verify the targeted and effective use of budget funds allocated for constructing and purchasing residential premises for orphaned children. Such financial control, on the part of the analysed body, allows for some supervision over the targeted expenditure of budgetary funds to ensure the housing rights of orphaned children and identify relevant problems.

The relevance is confirmed by the fact that there is a tendency to violate this category of persons' housing rights. Orphaned children from different regions of the Russian Federation apply to various authorities with applications for the non-provision of residential premises or the provision of apartments unsuitable for living. This fact is also confirmed by the Review of Judicial Practice, which is related to providing residential premises for orphans in 2018-2020 ([Review..., 2020](#)).

Based on the results of the assessment of the provision of housing for orphans, the Accounting Chamber has made several proposals to the Government of the Russian Federation. One of the proposals regarding the housing certificate system has already been implemented. However, many issues remain unresolved. To solve the problems of orphans, it is important to use various tools more widely, identify violations, explore new approaches, and involve various departments.

### **The results of the study**

We propose to consider some problematic issues related to ensuring the housing rights of orphaned children, which have a more significant impact on the current situation and are covered by the Accounting Chamber during inspections.

*1. The lack of housing in the real estate market*

The lack of housing in the real estate market leads to a long-term purchase of residential premises for orphaned children. In almost every result of checking the use of budgetary funds, this fact is noted by the Accounting Chamber. The reason can be called the reluctance of the municipality to independently create real estate and supervise the construction of these facilities

*2. The discrepancy between the standards of the area and the cost of square meters*

The calculation of subventions defined for the size of the area and the cost per square meter does not meet the market conditions in reality, which leads to the same increase in the queue ([Bezgodkova, 2021](#)).

*3. Purchase of substandard housing*

The lack of housing is related to its quality. Local governments buy residential premises on the secondary market that do not meet the established requirements (living space) for orphans.

*1. A small amount of funding for social support programs for children needing special state care*

Currently, prices for residential premises are only growing, and the budget component of the costs of building and purchasing residential premises to provide orphans with them is decreasing or stagnating.

The audit results show that individual municipalities did not purchase the planned number of residential premises. According to the information provided by the municipality, the planned amount could not be purchased as there was no housing supply due to the low cost per square meter determined for its purchase. Such a violation goes against the principle of the effectiveness of using budgetary funds.

We suggest paying attention to the programmes of state social support for residents of the Perm Territory over the past three years, which include the construction and purchase of residential premises to provide for orphaned children ([Table 1](#)).

The data confirm that the amount of funding is increasing only by a small percentage. Thus, the Control and Accounting Chamber of the Republic of Khakassia, in its conclusion on the results of monitoring the expenditure of funds for 2020-2022, called this disproportionality the main reason for the late provision of residential premises for orphaned children.

*2. The problem of providing housing for orphans with disabilities*

Disabled orphans are a special group of orphaned children. It is important to understand that housing problems are aggravated by such a graduate's physical or other problems. And, of course, in terms of housing provision, an appropriate approach is worth applying to them.

In 2019, a round table was organised on the initiative of the Accounts Chamber, the topic of which was providing housing for orphaned children. So, at the speech of one of the round table speakers, Galina K. Epifanova, Director of the Sergiev Posad Boarding School for the Deaf-Blind and Young Disabled, this problem was raised. Thus, orphaned children who are disabled and grew up in one city are forced to return to another city unfamiliar to them, at their place of residence upon reaching the age of majority. Such a child is socialised from childhood, introduced to shops and streets, taught to move along pedestrian crossings in the Moscow

region, and he returns, e.g., to his home in Yakutia, where there is no accessible environment and appropriate, suitable work.

I would like to emphasise that the Accounting Chamber sets itself the task of responding to civil society's requests. This reaction highlights the above problems by this body. However, today, these problems are also at the head of various departments, as social tensions are growing.

The question arises: How can the problematic issues of ensuring the housing rights of orphaned children be most effectively solved?

In our opinion, an audit of the effectiveness of public administration in providing housing for orphaned children is necessary. Various measures to verify the targeted and effective use of budget funds allocated for the construction and purchase of residential premises for the formation of a specialised housing stock is worth including in the work plan of the Control and Accounting Chambers.

It is also necessary to stimulate regional housing construction programmes, especially in regions where providing housing for orphaned children is the most challenging task.

Agencies should supervise social obligations, as problematic issues will not be resolved without a system by the system. We mean the complex work of the Accounting Chamber of the Russian Federation, the Ministry of Construction and Housing and Communal Services of the Russian Federation, the Federation Council, the Ministry of Education of the Russian Federation, and other departments.

At the same time, we consider it necessary to popularise the issuance of housing certificates among orphans. Talk about its advantages: gratuitousness, the opportunity to spend a subsidy as a down payment on a mortgage, purchase ready-made housing in the location they need, choose apartments on their and others.

### Conclusion

From the above, it can be concluded that the Accounting Chamber sets itself the task of being more open and engaged in strategic audit. The advantage of this body is that it monitors the management and disposal of federal budget funds, sends its audit results to local governments, identifies and responds to relevant problems, and makes recommendations to eliminate violations found. Please note that it was the Accounting Chamber that proposed to provide housing certificates to orphaned children. In 2024, a certificate system will be in effect, which has already significantly eliminated the waiting list for housing among orphaned children ([Lavrishcheva, 2019](#)).



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## Appendix

Table 1. The programmes of state social support for residents of the Perm Territory in 2022-2024

Support for children in need of special state care (million rubles)	2022	2023	2024
	5,455.1	6,047.5	5,794.2

## **Tax planning in intellectual property and countering tax risks <sup>[5]</sup>**

*Abstract:* It is impossible to imagine a modern society without using objects of intellectual activity, including business activities. The main goal of an entrepreneur is to make a profit, so he is interested in minimising costs. One way to reduce costs is tax planning. The study aims to analyse tax planning in intellectual property and counteract tax risks. During the study, analytical, comparative and deductive methods were used. The study used regulations on intellectual property and scientific articles by experts in taxation. The article discusses the specifics of tax planning in intellectual property. The article pays special attention to tax risks in intellectual property and their minimisation. The author concludes that intellectual property is becoming an increasingly significant asset for a modern entrepreneur. In the coming years, the role of intellectual property will become the main factor determining socio-economic growth. That is why entrepreneurs and organisations must use tax planning in intellectual property right now, including taking measures to minimise tax risks.

*Keywords:* tax law, intellectual property law, tax planning, tax risks, international tax planning.



### ***Abbreviations:***

*ITP* is international tax planning,

*VAT* is value added tax.

### **Introduction**

It is impossible to imagine a modern society without using objects of intellectual activity, including entrepreneurial activities. The main goal of an entrepreneur is to make a profit, so he is interested in minimising costs. One way to reduce costs is tax planning.

The study aims to analyse tax planning in intellectual property and counteract tax risks.

Based on the purpose of the study, the following tasks were developed:

- define tax planning concept;
- analyse the characteristics of intellectual property as a tax planning tool;
- identify tax risks in intellectual property;
- identify ways to minimise tax risks in intellectual property.

During the study, analytical, comparative, and deductive methods were used.

The study used regulations on intellectual property and scientific articles by experts in taxation.

### **The results of the study**

### **Definition of tax planning**

There is no legally fixed concept of “tax planning” in Russian legislation. The existing doctrinal definitions can be divided into two groups:

- (1) consideration of tax planning as tax minimisation;
- (2) consideration of tax planning as tax optimisation (*Samsonov, 2021*).

The concepts of “tax minimisation” and “tax optimisation” are not identical (*Druz'bina, 2021*). Tax optimisation aims to reduce the taxpayer’s tax costs, while tax minimisation aims to increase the taxpayer’s profits after tax payments and all financial resources.

Thus, after analysing the doctrinal definitions, it is possible to deduce the definition of tax planning as legitimate actions of a taxpayer aimed at optimising tax payments and minimising possible tax losses.

### **Intellectual property as a tax planning tool**

In Russian legislation, the “intellectual property” concept is fixed as the results of intellectual activity and equivalent means of individualising legal entities, goods, works, services and enterprises provided with legal protection.

From the point of view of tax planning, intellectual property has an important advantage over goods, services and works. Conducting an assessment and determining intellectual property valuation is a much more difficult task. The most important difficulty in evaluating intellectual property objects lies in quantifying the results of commercial use of a particular object under development at the stage of industrial development or operation.

### **Tax risks in intellectual property**

There are always tax risks for the taxpayer if there is a tax benefit. Tax risks for intellectual property rights holders may include the following aspects:

- (1) Risks of taxation of income from intellectual property. The problem lies in determining the classification of the results of intellectual activity. Thus, in sub-clause 26 of clause 2 of article 149 of the Tax Code of the Russian Federation, the exercise of rights to use the results of intellectual activity is exempt from VAT. However, this legal norm applies only to those intellectual property objects listed in this article: exclusive rights to inventions, utility models, industrial designs, computer programs, databases, integrated circuit topologies, production secrets (know-how) and rights to use the specified results of intellectual activity based on a license agreement. Therefore, VAT on intellectual property objects not mentioned in the article (for example, trademark rights) is worth calculating in a general manner.
- (2) Risks concerning the valuation of intellectual property. As mentioned earlier, estimating the value of intellectual property is difficult due to a possible incorrect assessment and, consequently, incorrect payment of taxes (*Arkhbipstova & Grebennik, 2020*).
- (3) Risks associated with paying royalties by a foreign copyright holder. So, in paragraph 13 of the Review of the Practice of Court Resolution of Disputes related to the protection of foreign investors (*2017*), a case is given when the trademarks of a Russian company were sold to a Cypriot company for 8 thousand euros, after which a license agreement was concluded with a royalty amount of 25,225 British pounds per month. However, the tax



authority has determined that the Cyprus company is not the actual recipient of income, and the provisions of the double taxation agreement cannot be applied.

### **Ways to minimise tax risks in intellectual property**

After analysing the tax risks possible for copyright holders, the following ways of minimising them were formulated:

- (1) Conducting a correct assessment of the intellectual property object to form a correct classification. According to the Methodological Recommendations for Determining the Market Value of Intellectual Property (2002), when assessing intellectual property's market value, the appraiser must use (or justify the refusal to use) profitable, comparative and costly approaches to valuation. At the same time, the appraiser can independently determine specific assessment methods within each approach.
- (2) The development of international tax planning (ITP). ITP is a set of legitimate actions a taxpayer takes to optimise tax payments and minimise possible tax losses within the global market. ITP involves using offshore and low-tax jurisdictions, trusts and foundations, and various organisational and legal forms.

### **Conclusion**

Thus, intellectual property is becoming an increasingly important asset for a modern entrepreneur (Sidorina, 2020). In the coming years, intellectual property will become the main factor determining socio-economic growth (Korotkovskaya, 2018). That is why it is crucial for entrepreneurs and organisations to use tax planning in intellectual property right now, including taking measures to minimise tax risks.



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## **Analysis of the Leningrad region's budget execution for 2021** <sup>[6]</sup>

*Abstract:* It is generally believed that the key function of the Northwestern Federal District is to ensure Russia's foreign economic relations with the European Union and many other regions of the world. This primary task is primarily due to the geographical location of the Northwestern Federal District, which includes the Leningrad Region bordering Estonia and Finland. This study aimed to analyse the budget execution of the Leningrad Region for 2021. An analysis of the revenue and expenditure items of the budget was performed, like a summary analysis of the region's budget. To achieve this goal and solve problems, analytical, comparative, and deductive methods were used. The study used regulations and articles by economists in regional budgeting. The author concludes that the planned budget for 2021 is significantly different from what was implemented. Revenues are higher than planned, and expenses are lower. Nevertheless, it is impossible to exclude insurmountable circumstances by the type of external economic factors that could affect the level of embezzlement.

*Keywords:* Leningrad region, budget execution, expenditure budget items, revenue budget items.



### **Introduction**

It is generally believed that the Northwestern Federal District's key function is to ensure Russia's foreign economic relations with the European Union and several other regions of the world (*Belchenko, 2019*). This primary task is primarily due to the district's geographical location, which includes the Leningrad Region bordering Estonia and Finland.

The development of the subject of the Russian Federation in question largely depends on geo-economic and geopolitical factors since the price of exports to non-CIS countries is 13 times higher than the cost of exports to CIS countries (*On the National Goals..., 2018*). It is worth focusing on the context of 2022, within which economic cooperation between the countries has undergone significant changes due to foreign policy differences and the growth of a militaristic agenda. Despite the above factors, it cannot be said that the region's fundamental development trend and key functions have changed significantly because the geographical location and hundreds of years of mutually beneficial cooperation cannot simply disappear without a trace.

The study aimed to analyse the budget execution of the Leningrad Region for 2021.

Based on the purpose, the following tasks were solved:

- analyse the revenue side of the budget;
- analyse the expenditure part of the budget;
- analyse summarily the budget of the subject of the Russian Federation;
- conclude on the Leningrad Region budget for 2021.

To achieve this goal and solve problems, such methods as analytical, comparative and deductive were used.

The study used regulations and articles by economists in regional budgeting.

## **The results of the study**

### **Analysis of the revenue side of the budget**

The official website of the Committee for Economic Development and Investment Activities of the Leningrad Region provides statistical data on the subject's industry, which is of no minor importance in the study of budget policy.

Thus, the predominant industry in the Leningrad region is processing, which includes producing petroleum products, chemicals, food products, tobacco products, paper and much more related to consumer goods (*The official website..., 2023*).

Turning to the analysis of the Leningrad Region budget 2021, it is necessary to start with its revenue side, which is divided into tax, non-tax, and gratuitous receipts. The budget analysis was performed based on the Leningrad region's law.

The first income category includes taxes, which are divided into federal, regional, and local taxes according to the Russian Federation's Tax Code. These also include penalties and fines (*Tax Code..., 1998*). Cash flows are differentiated by tax categories using the standards of deductions fixed in the Russian Federation's Budget Code.

Non-tax revenues represent income from the sale of property owned by the State or municipality. This category also includes income from paid services provided by budgetary institutions and funds received as compensation for damage caused to the Russian Federation, its subjects, municipalities, etc.

The last category is gratuitous receipts, which refer to subsidies and transfers from Russia's other budgets. Although this is the primary source, receipts from individuals, legal entities, foreign governments, and international organisations are still worth considering.

According to the official report, the Leningrad region's budget received about 168.1 billion in 2021. Most of these were tax and non-tax revenues, namely 142 billion, and gratuitous revenues, only 26 billion.

The dominant sources of income generation were corporate income and property tax, personal income and excise taxes. Only four taxes generated 95.4% of revenues, indicating the subject's most substantial dependence on the economic well-being of its population. Suppose you do not create the appropriate conditions for developing small and medium-sized businesses. In that case, it not only starts the flow of money in the whole country's economy by itself but also creates additional jobs that reduce unemployment, affecting the purchasing power of the population and its financial well-being.

### **Analysis of the expenditure part of the budget**

The expenditure part, executed for 174.4 billion rubles, consists of expenditures on education (40 billion), social policy (37 billion), the national economy (30 billion), healthcare (24 billion), inter-budgetary transfers to the budgets of the Russian Federation's budgetary system (6.6 billion), culture and cinematography (4 billion), and national security and law enforcement (2.5 billion).

The actual cost of the monetary maintenance of state civil servants of the Leningrad region amounted to 2,694,836 thousand rubles, the number of state civil servants of the Leningrad region 2,102; the actual cost of the monetary maintenance of employees of state institutions of

the Leningrad region amounted to 15,529,707 thousand rubles, the number of employees of state institutions of the Leningrad region is 25,729.

### Summary analysis of the budget of a constituent entity of the Russian Federation

Having analysed the key income and expense items of the regional budget of the Leningrad region, we can conclude that there is a deficit. In the Budget Code of the Russian Federation, paragraph 1 of Article 92.1 states that the budget deficit is established by law for the next financial year in compliance with the restrictions established by this article (*Budget Code...*, 1998).

Thus, it should be within 15% of the total annual budget income, excluding gratuitous receipts. The deficit can be viewed from several viewpoints, with both positive and negative sides. Everything depends mainly on the direction of spending and the deficit balance (*Belous, 2021*).

One of the key points is the spending on current expenses, on those that support the existence of the system itself, namely the payment of salaries to civil servants, maintenance of buildings and other costs (*Belogortseva, 2022*). If they make up the bulk of expenses, then such a budget cannot be considered adequate, which indicates an urgent need to perform reforms. In the case of the Leningrad Region, it is clear that the authorities of the subject direct funds to the development of social and economic spheres. However, support for small and medium-sized businesses can still be strengthened.

### Conclusion

Based on the above, the planned budget for 2021 is significantly different from what was implemented. Revenues are higher than planned, and expenses are lower. Nevertheless, it is impossible to exclude insurmountable circumstances by the type of external economic factors that could affect the level of embezzlement. Modern conditions force the economy of an entire country to change its vector of development from the west to the east and the domestic market, which the Leningrad region can quickly transfer without critical losses.



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## **Analysis of revenues and expenditures of the budget of the Russian Federation's subject on the example of St. Petersburg <sup>[7]</sup>**

*Abstract:* Each Russian Federation's subject has its budget as part of the entire Russian Federation. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is not worth forgetting that any budget, regardless of its level, always consists of three elements: formation, distribution and execution. The activity of each entity is inextricably linked with cash, which is why it is so important to focus on its formation and distribution process. Knowing the current state of the budget of a constituent entity of the Russian Federation, including understanding its detailed structure of income and expenses, it is possible, if necessary, to redistribute budget funds in another direction. This, in turn, will allow you to use your funds as efficiently as possible. The purpose of the study is to analyse St. Petersburg's budget. Analytical, comparative, and statistical methods were used to achieve the goal and solve the tasks. The study used regulations and analytical articles from researchers and journalists in the Russian economy. The authors conclude that St. Petersburg's budget is currently in deficit, although in 2023, it was in surplus. However, while this entity has a huge public debt, discussing any surplus budget is impossible.

*Keywords:* St. Petersburg, regional budget analysis, revenue budget items, expenditure budget items.



### **Introduction**

Each Russian Federation's subject has its budget as part of the entire Russian Federation. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is not worth forgetting that any budget, regardless of its level, always consists of three elements: formation, distribution and execution. The activity of each entity is inextricably linked with cash, which is why it is so important to focus on its formation and distribution process. Knowing the current state of the budget of a constituent entity of the Russian Federation, including understanding its detailed structure of income and expenses, it is possible, if necessary, to redistribute budget funds in another direction. This, in turn, will allow you to use your funds as efficiently as possible.

The study aims to analyse St. Petersburg's budget.

Based on the goal, the following tasks were developed:

- describe the budget of St. Petersburg for 2020-2022 generally;
- analyse St. Petersburg's budget revenues;
- analyse St. Petersburg's budget expenditures;
- make a summary analysis of St. Petersburg's budget;
- conclude on the evolution of the budget of St. Petersburg as the Russian Federation's subject.

Analytical, comparative, and statistical methods were used to achieve the goal and solve the tasks.

The study used the Russian economy's regulations and analytical articles of researchers and journalists.

### **The results of the study**

#### **General characteristics of the St. Petersburg's budget for 2020-2022**

The selected subject of the Russian Federation is located in the Northwestern Federal District, a city of federal significance within Russia.

E.Y. Gracheva defines the budget as the financial basis for the functioning of the state and municipalities. It is the central link of society's economic system, with all its links connected (2021).

The appendix presents a summary analysis of St. Petersburg's budget for 2020-2022 (*Table 1*) (*On the Budget of St. Petersburg..., 2022*).

From the report on the execution of the city's budget, it can be seen that the city is developing systematically despite not providing for expenses (*On the Execution..., 2022*). Thus, planned revenues from 2020 to 2021 increased by 165,330.1 thousand rubles; as a percentage, this is an increase of 20.4%. Actual revenues grew in the same range.

There is a tendency to reduce costs when comparing planned and actual expenses. So, it is exciting to see the budget for 2022, surplus or deficit. As of December 2022, approximately 32.7% of the city's budget revenues remain unfulfilled. Undoubtedly, these funds are assumed to repay St. Petersburg's debt. For 2022, St. Petersburg's budget will exceed one trillion rubles for the first time (*Gryaznevich, 2023; Timofeeva, 2023*).

As part of developing transport infrastructure, according to the instructions of the President of the Russian Federation, the following activities have been identified in the city: construction of a high-speed latitudinal highway, Vitebsk interchange, development of transport infrastructure, construction of a road interchange near Poklonnaya Gora, development of the St. Petersburg railway junction, metro development, overpasses across railway tracks.

For 2022, revenues of 1,107,902.3 thousand rubles and expenses of 1,066,085.7 thousand rubles are planned. Thus, the trend towards a surplus budget continues, and the budget surplus will amount to 41,816.7 thousand rubles.

The appendix contains a diagram of the actual main parameters of St. Petersburg's budget (*Figure 1*). In general, the characteristics of the main parameters of St. Petersburg's budget have remained unchanged for 11 years. The dynamics of excess income over expenses continue. For example, in 2018, before the coronavirus pandemic, revenues exceeded expenses by about 10 million rubles. However, in 2019, we see the opposite situation, when expenses already exceed revenues by about 10 million rubles.

#### **Analysis of St. Petersburg's budget revenues**

When analysing the city's income, you should consider the structural part that makes them up. Thus, the bulk of income comprises two indicators: income tax and income for individuals. These two categories bring 71.2% of the city's total income. In 2021, the tax on individuals brought 41% of revenues to the city budget, and the income tax was 30.2%. The remaining

positions make up a minor part of its revenue. The most unpopular ways to replenish the budget are state duty, fines, and income from the sale of property.

High growth rates (over 115%) in 2021 were observed for the following income sources: corporate income tax (144.9%), excise taxes (126%), corporate property tax (115.4%), personal income tax (115.1%) (*Figure 2*).

The actual gratuitous receipts from other budgets of the budgetary system of the Russian Federation to St. Petersburg's budget in 2021 amounted to 52,219.5 million rubles, including in the form of grants of one billion rubles, subsidies of 7,828,651 million rubles and subventions of 16,387 million rubles.

Based on the presented statistical data on St. Petersburg's income for 2021, it is worth noting that taxes and fees account for 88.9% of all income, non-tax revenues bring only 4.9%, and revenues from the federal budget and budgets of other subjects of the Russian Federation amount to only 6.2%. St. Petersburg generally provides for itself through taxes; other receipts do not exceed 11.1% of all receipts. The structure of income formation in St. Petersburg, as in many different subjects of the Russian Federation, is formed mainly from tax revenues. Also, the low level of gratuitous receipts allows us to assert that such a Russian Federation subject as St. Petersburg can provide for itself while not forgetting about its economic growth.

### **Analysis of St. Petersburg's budget expenditures**

Actual expenses for 2020 amounted to 710,317 thousand rubles; for 2021, they amounted to 796,487.6 thousand rubles. The increase in costs was 86,170.6 thousand rubles or 10.8%. It is premature to discuss the costs for 2022 since, as of December 2022, the percentage of unused income is 30.2%.

The structural characteristics of St. Petersburg's budget expenditures for 2021 are presented below. Thus, the following structural categories account for the most expenses: national economy, education, social policy, and health care. This concept of cost allocation does not change either in 2022 or in the planned 2023 (*Figure 3*).

The city's expenses can be divided into programme and non-programme expenses. Non-program expenses are only 7.5%, but program expenses are 92.5%. That is why we should focus on them in more detail.

As many as 18 government programmes have been adopted in St. Petersburg. After analysing the initial budget assignment with the actual execution, we can conclude that a single programme's implementation percentage is high. The total percentage of all programmes was 92.5%. It follows that the executive authorities have identified the most critical sectors of implementing state programmes and closely monitor their implementation.

### **Summary analysis of St. Petersburg's budget**

Now, it is crucial to analyse the classification sections compared to the periods of previous years, which are presented in the appendix (*Table 2*). So, in almost all cases, there is a planned expenditure of funds. The increase in expenses by category varies slightly, according to needs. However, what is noteworthy is the cost of healthcare, which increased most significantly in 2020 and 2021. These changes are closely related to the Covid-19 epidemic. The second section, which will dramatically increase, is on servicing state (municipal) debt.



As of January 01, 2022, St. Petersburg's state debt amounted to 85,006.1 million rubles. The expenditure section dedicated to servicing the public debt has increased accordingly as part of the implementation of the programme to reduce the city's public debt.

Thus, expenses are an element of the budget based on the most important spheres of society's life. These areas include healthcare, education, social protection, and the economy. They are designed to ensure a systematic and qualitative improvement in citizens' lives.

The main goal of St. Petersburg's debt policy in 2020-2022 is to ensure the balance of the city's budget while maintaining a high degree of debt sustainability and timely fulfilment of debt obligations.

The amount of St. Petersburg's public debt as of 01.01.2022 corresponded to the restrictions established by Article 11 of the Law of St. Petersburg No. 549-114 (*On the Budget...*, 2020). The ratio of the volume of St. Petersburg's public debt as of January 01, 2022, to the actual annual volume of budget revenues, excluding gratuitous receipts, was 10.7% at the reporting date, with the limit value of this indicator set by the Budget Code of the Russian Federation (for subjects of the Russian Federation classified as a group of borrowers with high debt sustainability) at the level of 50%, respectively, which indicates about the high debt sustainability of St. Petersburg's budget. As part of implementing the program to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased accordingly.

The appendix provides a summary graph of the public debt and a graph of expenses related to servicing the public debt (*Figure 4*). Unfortunately, there have been no trends towards reducing public debt over the past seven years and the planned next two years. It continues to grow steadily. At the same time, its ratio to the city's tax and non-tax revenues will also increase. In 2020, this figure was 25.4%. In 2021, it is already equal to 37.7%.

Nevertheless, the St. Petersburg Finance Committee is taking all possible measures to reduce it. However, as of December 01, 2022, the state debt of St. Petersburg already amounts to 94,675.4 million rubles. Thus, 1.4% of their expenses in 2021 were spent only on debt servicing. Moreover, in 2023, according to planned calculations, this figure may amount to 2.5%.

All 100% of the city's public debt consists of debt obligations on securities of St. Petersburg.

### Conclusion

In summary, regarding the debt policy of the selected entity, it can be argued that the St. Petersburg budget is currently in deficit despite being in surplus in 2023. However, while this entity has a huge public debt, it is impossible to discuss a surplus budget.

When forming St. Petersburg's budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit. This is done for the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period. The city's development is complex regarding the current economic, political, and social situation in the country and St. Petersburg. The budgets for 2021 and the planned 2022 and 2023 are in deficit. In the Budget Code of the





Russian Federation, the concept of a “surplus budget” was withdrawn not long ago. This event will allow for more efficient use of funds. After all, in an ideal economic system, the city’s budget should be neither in deficit nor in surplus.



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### Appendix

Table 1. A summary analysis of St. Petersburg’s budget for 2020-2022

Indicators	2020	2021	2022 (on December, 05)
Planned income	642,159.2	807,599.3	1,107,902.3
Actual income	670,691.0	843,344.7	982,324.7
Planned expenses	720,942.9	811,363.5	1,066,085.7
Actual expenses	710,317.0	796,487.6	660,308.4
Planned surplus/deficit	-78,783.7	-3,764.2	41,816.7
Actual surplus/deficit	-39,626.0	46,857.2	322,016.3

Table 2. The classification sections compared to the periods of previous years in percentage

Sections	2018	2019	2020	2021
National items	95.7%	96.8%	93.4%	84.0%
National defense	100.0%	98.6%	97.4%	97.7%
National security	99.1%	99.0%	98.9%	98.7%
National economy	91.3%	93.7%	98.3%	98.0%
Housing and communal services	96.7%	95.0%	97.8%	98.2%
Environmental protection	99.1%	89.0%	98.7%	99.3%
Education	98.9%	99.5%	99.8%	99.8%
Culture and cinema	99.0%	98.2%	99.2%	99.4%
Healthcare	98.3%	98.5%	98.1%	99.5%
Social policy	99.1%	99.1%	99.3%	99.4%
Physical culture and sports	97.2%	99.2%	99.3%	98.7%
Mass media	99.6%	99.1%	99.1%	99.4%

Servicing of state debt	90.0%	98.9%	99.2%	95.2%
Inter-budget transfers	94.8%	93.9%	88.2%	99.7%
<i>Total</i>	<i>96.7%</i>	<i>97.4%</i>	<i>98.5%</i>	<i>98.2%</i>

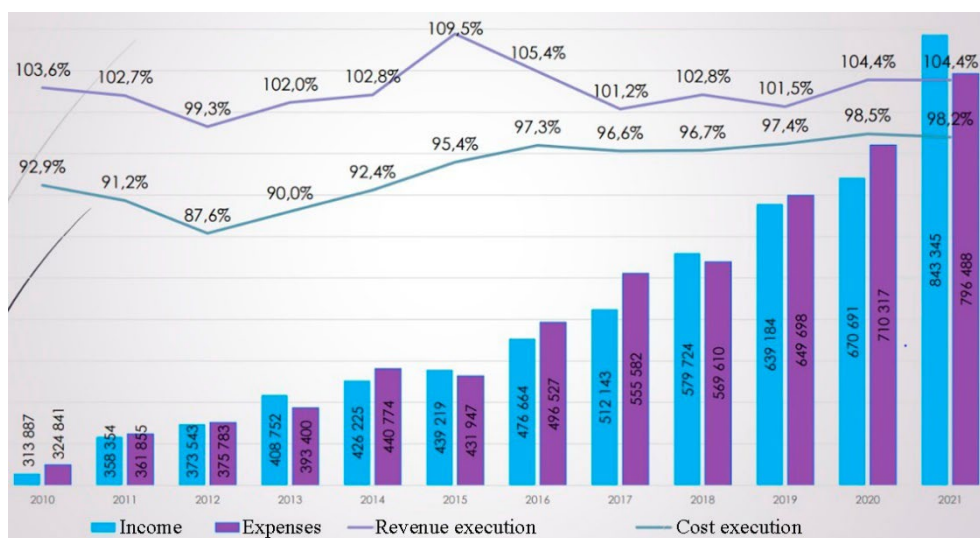


Figure 1. Actual main parameters of St. Petersburg's budget

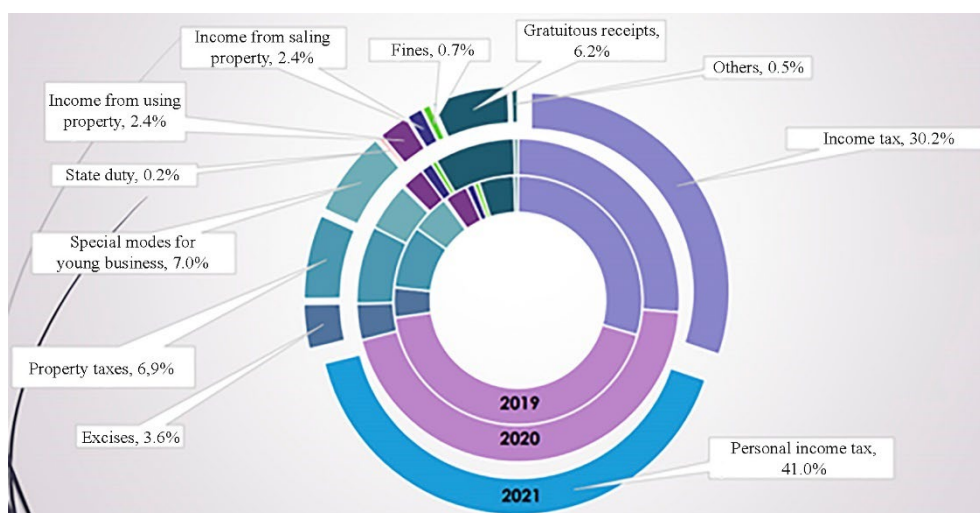


Figure 2. The income structure of St. Petersburg in 2020-2022

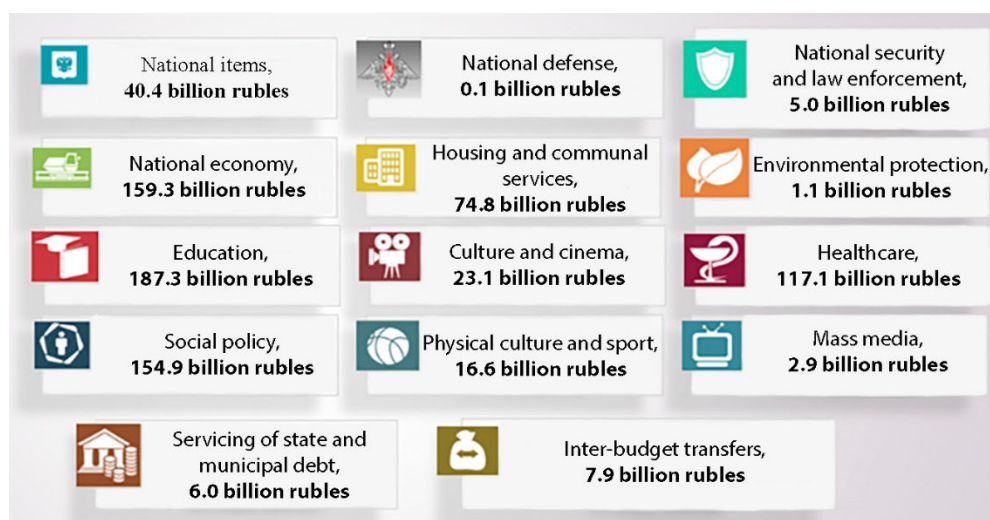


Figure 3. St. Petersburg's budget expenditures in the context of the functional structure of budget expenditures for 2021

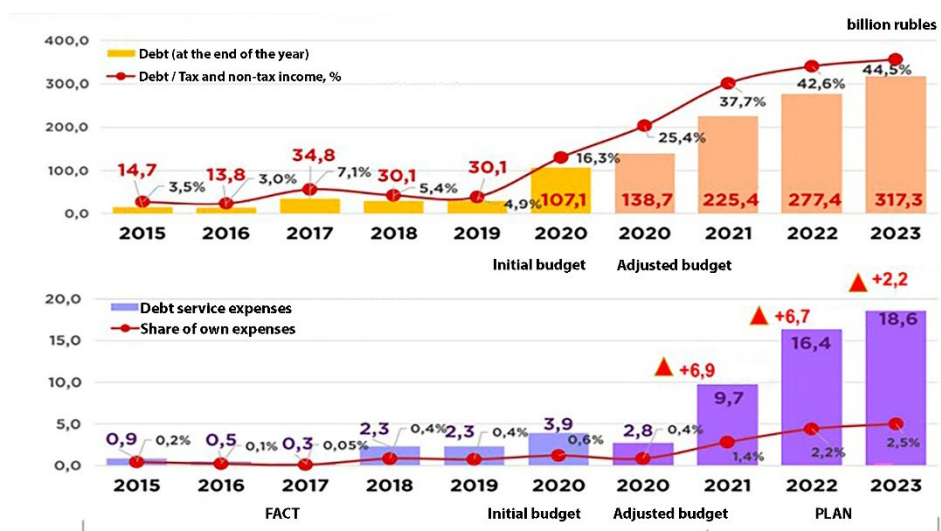


Figure 4. A summary graph of the public debt and graph of expenses related to servicing the public debt

**Analysis of the budget of St. Petersburg for 2022 <sup>[8]</sup>**

*Abstract:* The relevance of the research topic is to consider the budget of the selected entity in the context of financial independence due to specific goals, objectives and development directions, which differ in each region. According to Article 10 of the Budget Code of the Russian Federation, the structure of the budget system of the Russian Federation includes the budgets of the subjects of the Russian Federation, which play an essential role in implementing the functions and tasks of regional authorities, ensure the socio-economic development of territories. The state is actively pursuing economic policy through the budgets of the regions. St. Petersburg is of particular interest in this study due to the importance of specific areas of industrial, scientific, and technical development both at the level of the subjects of the Russian Federation and at the state level. The study's object is to the budgetary and legal relations that develop in the process of fiscal activities of public authorities of the subject of the Russian Federation and municipalities. The key purpose is to identify the main parameters that objectively and reasonably describe the region's financial condition. Analytical, comparative and statistical research methods were used to achieve the goal and solve the problems. The study used regulations, statistical data, and data from open sources. The author concludes that the execution of the budget of St. Petersburg in 2022 is characterised by independence, sustainability and social orientation.

*Keywords:* budget of St. Petersburg, budget process, revenues of the subject, expenses of the subject.

**Abbreviations:**

*PIT* is personal income tax,

*TCMI* is territorial compulsory medical insurance.

**Introduction**

The relevance of the research topic is to consider the budget of the selected entity in the context of financial independence due to specific goals, objectives and directions of development, which differ in each region. According to Article 10 of the Budget Code of the Russian Federation (1998), the structure of the budget system of the Russian Federation includes the budgets of the subjects of the Russian Federation, which play an essential role in implementing the functions and tasks of regional authorities, ensure the socio-economic development of territories. The state is actively pursuing economic policy through the budgets of the regions. St. Petersburg is of particular interest in this study due to the importance of specific areas of industrial, scientific, and technical development both at the level of the subjects of the Russian Federation and at the state level.

The study's object is the budgetary and legal relations that develop in the fiscal activities of public authorities and municipalities in the Russian Federation.

The study aims to comprehensively research St. Petersburg's budget, determine its independence and sustainability, identify the main factors affecting the revenue and expenditure

parts of the budget, and identify general trends in developing the region's budget policy. The key purpose is to identify the main parameters that objectively and reasonably describe the region's financial condition.

To achieve this purpose, the following tasks were supposed to be solved:

- consider the general characteristics of St. Petersburg;
- study the budget process of the selected region;
- analyse revenues and expenditures of the regional budget.

Analytical, comparative and statistical research methods were used to achieve the purpose and solve the problems.

The study used regulations, statistical data, and data from open sources.

## **The results of the study**

### **General characteristics of St. Petersburg**

St. Petersburg is a city of federal significance in the Russian Federation, a subject of the Russian Federation, the administrative centre of the Northwestern Federal District, and the location of the highest authorities of the Leningrad Region. It is located in the northwest of the Russian Federation. The city's area is 1,439 sq. km.

According to the law "On the Territorial Structure of St. Petersburg" (2005), St. Petersburg is divided into territorial units, which include administrative-territorial units and municipalities. St. Petersburg consists of 18 districts, divided into 111 municipalities, of which 81 are municipal districts.

St. Petersburg is Russia's significant economic, scientific and cultural centre and a central transport hub. The city's historical centre and its associated monument complexes are included in the UNESCO World Heritage List; it is one of the most important tourism centres in the country. Among the most significant cultural and tourist sites are the Hermitage, the Kunstkammer, the Mariinsky Theater, the Russian National Library, the Russian Museum, the Peter and Paul Fortress, St. Isaac's Cathedral, and Nevsky Prospekt. Among other things, the program for the preservation and development of the historical centre of St. Petersburg is aimed at preserving cultural heritage sites. The city's population as of 2020 is 5.4 million people.

St. Petersburg is a subject of the Russian Federation. It is an important industrial centre and a central transport hub with a developed infrastructure. The city has an international airport, three seaports, three river ports, twelve railways, and five main highways that approach it.

The economy of St. Petersburg is based on mechanical engineering and metalworking, electrical engineering, nuclear, energy, chemical, petrochemical, pulp and paper, light, food and other industries, shipbuilding and instrumentation. The production of structures made of metal, reinforced concrete and wood, wagon building, production of agricultural, road and construction machinery, garages, and fire-fighting equipment has been mastered. About eight thousand economic facilities are operating in St. Petersburg.

### **The budget process in St. Petersburg**

The Russian Federation's Budget Code and the law "On the Budget Process in St. Petersburg" (2007) establish the region's budget process fundamentals.

Thus, according to Article 1 of the said Law, the budget process in St. Petersburg is the activity regulated by the legislation of the Russian Federation of the state authorities of St. Petersburg and other participants in the budget process in St. Petersburg for preparing and considering St. Petersburg's draft budget, the draft budget of TCMI, approval and execution of St. Petersburg's budget, the TCMI budget, control over their execution, implementation of budget accounting, compilation, external verification, review and approval of budget statements.

Article 2 of the Law establishes participants in the budget process in St. Petersburg who have budgetary powers. These include:

- the Governor of St. Petersburg; the Legislative Assembly of St. Petersburg; the Government of St. Petersburg;
- the financial authority of St. Petersburg;
- the Control and Accounting Chamber of St. Petersburg; the body of internal state economic control, which is the executive body of the state authority of St. Petersburg;
- the leading managers of funds from the budget of St. Petersburg; the management body of TCMI; the principal administrators of the budget revenues of St. Petersburg;
- the principal administrators of the sources of financing the budget deficit of St. Petersburg;
- recipients of budget funds.

The main stages of the budget process in St. Petersburg are divided into:

- (1) Drafting the budget and the TCMI budget;
- (2) Review and approval of the budget and TCMI budget;
- (3) Budget execution and TCMI budget;
- (4) Preparation, review and approval of budget statements;
- (5) Control over budget execution.

The procedure and deadlines for preparing the draft budget and the draft budget of TCMI are established by the Government of St. Petersburg in compliance with the requirements established by the Budget Code of the Russian Federation and the Law of St. Petersburg.

The Government of St. Petersburg prepares the draft budget and the draft budget of TCMI. The financial authority directly prepares the draft budget, and the TCMI management body directly prepares the TCMI budget.

The Legislative Assembly of St. Petersburg is considering the draft law of St. Petersburg on the budget (on the TCMI budget) in three readings. The Legislative Assembly of St. Petersburg believes the draft law of St. Petersburg on the budget (on the TCMI budget) in the first reading no later than 25 working days from the day following the day of submission of the said draft law of St. Petersburg to the Legislative Assembly of St. Petersburg.

The second reading of the draft law of St. Petersburg on the budget (TCMI budget) consists of voting on amendments to the specified draft laws of St. Petersburg.

The third reading of St. Petersburg's draft law on the budget (on the TCMI budget) includes voting on amendments submitted by the Budget and Finance Committee of the Legislative Assembly of St. Petersburg for the third reading to eliminate internal contradictions in the specified draft law of St. Petersburg or its contradictions with current legislation, and voting on St. Petersburg's draft law on the budget (on the TCMI budget) as a whole with all the amendments adopted to it. The third reading of St. Petersburg's draft law on the budget (on the



budget of the TCMI) should take place no later than two weeks from the day following the day of its adoption in the second reading and no earlier than two calendar days from the day following the day on which deputies of the Legislative Assembly of St. Petersburg received the draft law of St. Petersburg on the budget (on the TCMI budget) prepared for voting as a whole, and amendments of the Budget and Finance Committee of the Legislative Assembly of St. Petersburg to the third reading of the said draft law of St. Petersburg.

The Government of St. Petersburg executes the TCMI budget based on the unity of the cash register and the subordination of expenses.

The municipality's financial body submits budget reports to the economic body according to the procedures and deadlines established by the monetary body. The monetary authority submits budget reports on executing the consolidated and TCMI budgets to the Federal Treasury and the Control and Accounting Chamber of St. Petersburg.

The Government of St. Petersburg submits the annual budget performance report to the Legislative Assembly of St. Petersburg no later than June 1 of the current year.

Every year, no later than April 15 of this year, the Government of St. Petersburg submits a report on executing the TCMI budget to the Control and Accounting Chamber of St. Petersburg to prepare an opinion on it.

The Control and Accounting Chamber audits the TCMI budget execution report, prepares an opinion on it within one and a half months and submits an appropriate opinion to the Legislative Assembly of St. Petersburg.

The TCMI budget execution report is submitted by the Governor of St. Petersburg to the Legislative Assembly of St. Petersburg for the reporting financial year no later than June 1 of this year, simultaneously with St. Petersburg's draft law on TCMI budget execution and other budget reports on TCMI budget execution.

### **Analysis of St. Petersburg's budget revenues**

Budget revenues fund the budget receives, except for funds that, according to the Budget Code, are sources of financing budget deficits. Budget revenues include tax, non-tax, and gratuitous revenues to the regional budget (*Figure 1*).

According to the Law of St. Petersburg, dated June 21, 2023 (*On the Budget Execution..., 2023*), the total revenue of St. Petersburg amounted to 1,162,900.1 million rubles, which is 27% more than in 2021 (*On the Budget Execution..., 2022*).

The corporate income tax for 2022 amounted to 44.9% of the total revenue to the treasury, while the personal income tax is 37.8%. For the first time, income tax outstripped income from PIT in 2022.

In its report, the chairman of the Finance Committee, Svetlana Yenilina, noted that St. Petersburg received a record 76.5 billion rubles of non-tax revenues last year, which increased 5.7 times compared to 2021. Of this amount, 38.8% is income from the allocation of free budget funds, and another 26.3% is income from property management.

### **Analysis of St. Petersburg's budget expenditures**

Budget expenditures are funds paid from the budget, except for funds that are sources of financing budget deficits according to the Budget Code. Budget expenditures are formed from

expenditures according to three types of classification: by sections and subsections of the classification of expenditures, state programmes and non-programme areas, and departments (*Figure 2*).

According to the Law of St. Petersburg, dated June 21, 2023 (*On the Budget Execution..., 2023*), the total expenditure of St. Petersburg amounted to 1043,209.96 million rubles for the first time in history.

In absolute terms, expenses exceeded the figures for 2021 by almost 247 billion rubles. Budget expenditures for implementing national projects amounted to 35 billion rubles, also exceeding the figures for 2021. In 2022, 973.4 billion rubles were allocated to finance government programmes.

The most significant amount of disbursed funds fell on the following state programmes:

- (1) "Development of the St. Petersburg Transport System" of 240.5 billion rubles (24.7% of the total execution of program expenses);
- (2) "Development of Education" of 209.6 billion rubles (21.5% of the total amount of program expenses);
- (3) "Development of Healthcare" of 169.2 billion rubles (17.4% of the total amount of program expenses);
- (4) "Social Support for Citizens" of 109 billion rubles (11.2% of the total amount of program expenses).

### Conclusion

Based on the research, it can be concluded that the implementation of St. Petersburg's budget in 2022 is characterised by independence, sustainability, and social orientation. The budget surplus amounted to 119.6 billion rubles. For the first time, budget revenues exceeded 1 trillion rubles.

The largest share of the budget was spent on developing education, healthcare, transport systems, and social support for citizens.

St. Petersburg is a developed region with a rapid pace of development, a reasonably large budget, and large expenditures, which are fully covered by no fewer significant revenues, resulting in a budget surplus. It is worth noting that St. Petersburg has excellent potential for cultural and industrial development and strengthening economic ties with other subjects of the Russian Federation.

As the Governor of St. Petersburg, Alexander Beglov, noted, "St. Petersburg ended 2022 with better financial performance than expected. For the first time, we broke the one trillion-ruble threshold and did it two years ahead of schedule. Our main economic achievements are increased budget revenues and industrial production growth. We have fulfilled all social obligations to St. Petersburg residents and significantly increased budget expenditures. We continued the construction of kindergartens, schools, healthcare facilities, infrastructure and road facilities, like a large-scale renovation of public transport." (*Kolokoltsev, 2023*).





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## Appendix

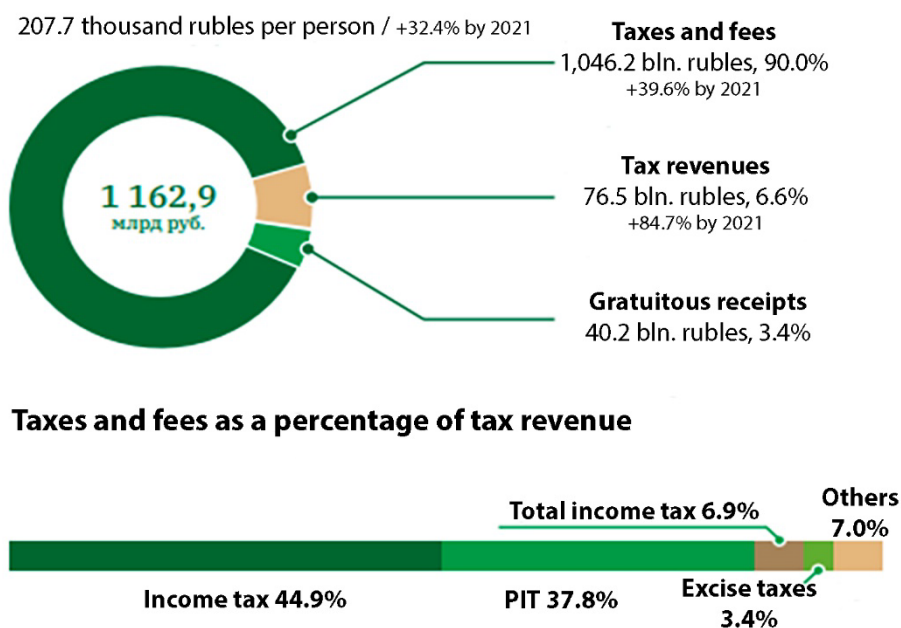


Figure 1. St Petersburg's budget revenues in 2022

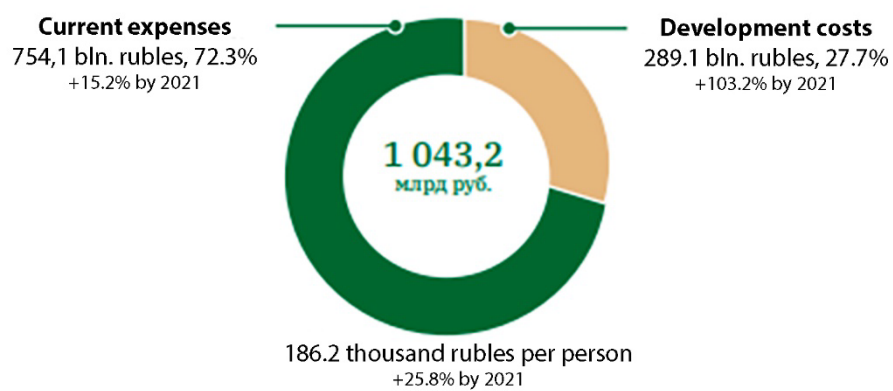


Figure 2. St. Petersburg's budget expenditures in 2022

### **Analysis of the Murmansk Region's budget execution <sup>[9]</sup>**

*Abstract:* Every subject of the Russian Federation has its budget, which is intended to fulfil the expenditure obligations of the Russian Federation. Regardless of the budget system level, any budget is determined by three united parties – the formation, distribution and use of a fund of funds, that is, budget revenues and expenditures. The relevance of the chosen topic lies in the fact that it is with the help of the budget that regions can focus financial resources on crucial areas of social and economic development. With the help of the budget, national income is redistributed between industries and spheres of public activity. This topic examines the execution of the Murmansk region's budget, where finances are allocated, and which areas require high costs. The study subject is the budget of the Murmansk region and all its components. The study object is the system of socio-economic relations regarding the formation and use of a fund of funds. The study aims to consider Murmansk region's budget execution, which areas require high costs, and which are more economical. The methods used in this study are systematic and comparative analysis, generalisation, description, and modelling. In the study, normative legal acts and the works of I.A. Tsindeliani were used. The authors conclude that there is a shortage in almost all areas of financing.

*Keywords:* Murmansk region, regional budget, revenue budget items, expenditure budget items, budget execution.



### **Introduction**

Every subject of the Russian Federation has its budget, which is intended to fulfil the expenditure obligations of the Russian Federation. Regardless of the budget system level, any budget is determined by three united parties – the formation, distribution and use of a fund of funds, i.e., budget revenues and expenditures. Murmansk Region is a subject of the Russian Federation. This subject is located northwest of the European part of Russia, on the Kola Peninsula and the adjacent part of the mainland. The waters of the Barents and White Seas wash it. It also borders Norway to the northwest and Finland to the west. It has an area of 144.9 thousand sq. km and a population of 787.6 thousand people on January 01, 2012.

By Decree of the President of Russia dated March 09, 2004, No. 314, the Federal Treasury was established with the transfer to it of the law enforcement functions of the Ministry of Finance of the Russian Federation to ensure the execution of the federal budget. In previous years, tremendous work has been performed to develop the treasury system in the Murmansk Region, which is necessary to improve the efficiency of public finance management.

The Office of the Federal Treasury for the Murmansk Region is a territorial body of the Federal Treasury established within the Murmansk Region's borders and directly subordinate to the Federal Treasury.

The main objectives of the management are:

- (1) cash services for the execution of the federal budget in the territory of a constituent entity of the Russian Federation;
- (2) cash services for executing the budget of the Russian Federation's subject, budgets of municipalities according to the budget legislation of the Russian Federation and agreements concluded by the department with the executive authority of the subject of the Russian Federation, local self-government bodies;
- (3) in cases established by the legislation of the Russian Federation, accounting for transactions with funds of legal entities that are not recipients of budgetary funds according to the Budget Code of the Russian Federation;
- (4) accounting of revenues received by the budget system of the Russian Federation and their distribution among the budgets of the budget system of the Russian Federation;
- (5) prepare and submit reports on the cash execution of the federal budget according to the established procedure to the Federal Treasury in the Russian Federation's subject territory.

According to the organisational and staff structure approved by Management Order No. 59, dated February 19, 2021, the Management Structure includes 32 departments as of December 31, 2021.

This work analysed the official reports of the Federal Treasury of the Murmansk region for 2022 and the planned 2023-2024 years.

The chosen topic is relevant because regions have the opportunity to focus financial resources on crucial areas of social and economic development. The budget also helps redistribute national income between industries and spheres of public activity. This topic examines the execution of the Murmansk region's budget, where finances are allocated, and which areas require high costs.

The study subject is Murmansk region's budget and all its components.

The study object is the system of socio-economic relations regarding the formation and use of a fund of funds.

The study aims to consider how the Murmansk region's budget is executed, which areas require high costs, and which are more economical.

The main objectives of this study are:

- consider Murmansk region's income execution;
- research Murmansk region's consumption;
- analyse Murmansk region's budget deficit;
- reveal the main directions of Murmansk region's tax policy for 2021 and the planning period of 2022 and 2023;
- reveal the directions of Murmansk region's debt policy for 2021 and the planning period of 2022 and 2023;

The methods used in this study are systematic and comparative analysis, generalisation, description, and modelling.

In the course of the study, normative legal acts and I.A. Tsindeliani's works were used.

### **The results of the study**

#### **Murmansk region's budget revenues**

First, it is necessary to look at the indicators for this year and then at the previous one and conduct a comparative analysis in the table to trace the changes and reflect the complete picture of this issue.

According to the draft law, the revenues of the regional budget amounted to the following indicators:

- in 2022, they amount to 103,569,070.0 thousand rubles, including tax revenues – 88,230,220.7 thousand rubles, or 85.2% of the regional budget revenues, non-tax revenues – 605,869.5 thousand rubles (0.6%), gratuitous receipts – 14,732,979.8 thousand rubles (14.2%);
- in 2023, they amount to 107,219,022.8 thousand rubles, including tax revenues – 93,163,894.4 thousand rubles, or 86.9% of the regional budget revenues, non-tax revenues – 577,913.3 thousand rubles (0.5%), gratuitous receipts – 13,477,215.1 thousand rubles (12.6%);
- in 2024, they amount to 111,016,838.6 thousand rubles, including tax revenues – 97,201,401.7 thousand rubles, or 87.6% of the regional budget revenues, non-tax revenues – 554,856.5 thousand rubles (0.5%), gratuitous receipts – 13,260,580.4 thousand rubles (11.9%).

Thus, the total revenue of the regional budget for 2023 was 7.8% less than the amount approved by the Law on the Budget for 2022 (tax and non-tax revenues were reduced by 6.2%, or 5,886,165.2 thousand rubles, the volume of gratuitous receipts was reduced by 16.4%, or 2,891,033.2 thousand rubles).

Tax and non-tax revenues are projected to increase annually. The draft law also predicts an increase in tax and non-tax revenues of the regional budget relative to 2022 by:

- 5.5% in 2023,
- 10.0% in 2024.

At the same time, the receipt of tax and non-tax revenues above the level of 2022 is projected by the draft law only in the planning period (2024), which does not correspond to paragraph 4.2 of the “Strategy for Social And Economic Development of the Murmansk Region until 2020 and for the Period up to 2025”, according to which an increase in tax and non-tax revenues of the regional budget aims the main task of the state budget policy. The dynamics of income receipts for 2020-2024 are shown in the diagram (*Figure 1*).

In 2022, tax and non-tax revenues totalled 88,836,090.2 thousand rubles (with a share of tax revenues of 99.3%), which is 5,886,165.2 thousand rubles (6.2%) less than the amount approved by the Budget Law for 2021.

The draft law 2023 provides for tax revenues of 93,163.9 thousand rubles, 4,933.7 thousand rubles more than the amount approved by the Budget Law for 2022.

The draft law 2023 provides for non-tax revenues of 577.9 million rubles, 28 million rubles less than the amount approved by the Budget Law for 2022.

The gratuitous receipts for the regional budget 2023 are projected to decrease by 1,255,764.7 thousand rubles or 12.6%, compared to the approved figures for 2022. The share of gratuitous receipts in the regional budget's total revenue is reduced from 14.2% in 2022 to

12.6% in 2023 and 11.9% in 2024. The dynamics of gratuitous receipts to the regional budget in 2020-2024 are shown in the appendix ([Table 1](#)).

In 2022-2024, the receipt of subventions from the federal budget for implementing state powers will be transferred to the Murmansk region. The Russian Federation will account for 20.7%, 23.8% and 25.2% of the total gratuitous receipts, respectively. In 2020 and 2021, the share of subventions in gratuitous receipts from the federal budget amounted to 18.3% and 18.6%.

The receipt of other inter-budgetary transfers from the federal budget in 2022 amounted to 9.2%, 7.3% in 2023 and 6.8% in 2024 of the total gratuitous receipts from other budgets of the budgetary system. The bill also provides for gratuitous receipts from the state corporation – the Fund for Assistance to Housing and Communal Services Reform: 957,826.5 thousand rubles in 2022, 1,164,346.9 thousand rubles in 2023 and 1,206,585.6 thousand rubles in 2024.

### **Murmansk region's budget expenditures**

For the 2022 fiscal year, the total volume of expenditures of the regional budget amounted to 123,910,285.1 thousand rubles, which is 19 360 139.4 thousand rubles, or 18.5% higher than the volume of expenses approved by the Law on the Budget for 2021 and the volume of expenditures according to the assessment of their expected execution in 2021. In the total volume of the expenditure part of the regional budget, 14,732,979.8 thousand rubles, or 11.9%, will be expenses carried out at the expense of gratuitous receipts from the Federal Budget, which is 2,595,142.8 thousand rubles, or 15.0% less than in 2021 (17,328,122.6 thousand rubles, or 16.6% in the budget of 2021, 12,307,146.0 thousand rubles, or 14.5% in the 2020 budget).

The regional budget total expenditures for the planning period of 2023 and 2024, considering conditionally approved (approved) expenditures, are planned to be less than the volume of allocations for the next 2022: by 8.8% for 2023 and 1.2% for 2024 ([Table 2](#)).

There is no significant change in the functional structure of regional budget expenditures in the 2022 budget. The key share in the regional budget total expenditure, as in the previous 2021, is expenses by sections:

- 0500 “Housing and communal services” – 4.6% (14.6% in 2021),
- 0700 “Education” – 20.0% (20.9% in 2021),
- 1000 “Social Policy” – 22.8% (24.7% in 2021).

Budget allocations are planned to increase for all sections of budget expenditures.

A significant increase in budget allocations in nominal terms, when compared with the volume approved by the Budget Law for 2022, is planned for the following sections:

- 0400 “National Economy” – the volume of allocations is planned for 3,804,283.3 thousand rubles or 37.7% more than in 2022,
- 0500 “Housing and communal services” – the volume of allocations is planned for 2,886,551.1 thousand rubles or 18.9% more than in 2022,
- 0700 “Education” – the allocation volume is planned for 3,001,515.8 thousand rubles, or 13.8% more than in 2021.

The regional budget for 2023's expenditure structure and a comparative analysis of changes in the volume and structure of expenditures by budget expenditure classification sections are presented in the appendix (*Figure 2*).

In the medium-term planning period 2022-2024, the division of budget allocations in the functional classification of regional budget expenditures is characterised by:

- (1) a steady increase in the proportion and volume of budget allocations under section 1000 "Social Policy", which indicates the unconditional fulfilment of existing social obligations to the population;
- (2) a relatively stable level of expenditures under section 0700 "Education";
- (3) the tendency to reduce expenditures is reflected in sections 0400, "National Economy", 0500 "Housing and communal services", and 0900 "Healthcare".

### **Murmansk region's budget deficit**

Now, it is necessary to describe the deficit of the regional budget, the amount of which for 2022 amounted to 203,412,15,1 thousand rubles, is 10.4% of the approved total annual revenue of the regional budget, but excluding the agreed amount of gratuitous receipts, but does not exceed the limit set by paragraph 2 of Article 92.1 of the Budget Code of the Russian Federation, while exceeding 0.4 percentage points. The level of budget deficit determined by section 5 of the Main Directions of Debt policy (no higher than 10%) is indicated.

For 2023 and 2024 (the planning period), the size of the deficit is projected in the amounts of 5,750,784.5 thousand rubles and 616,926.1 thousand rubles and comply with the restrictions established by paragraph 2 of Article 92.1 of the Budget Code of the Russian Federation.

The dynamics of the regional budget deficit (surplus) in 2020-2024 are shown in the appendix (*Table 3*).

It is also worth saying that in 2022-2024, the total volume of attracting government loans from credit institutions will amount to 97,220.0 million rubles, and the total repayment volume will amount to 82,800.0 million rubles. The volume of fundraising in 2022 will increase significantly, if compared with the indicator approved for 2021 (by 34,350.0 million rubles), and will amount to 36,350.0 million rubles. In 2023, it will decrease to 32,190.0 million rubles; in 2024, it will decrease to 28,680.0 million rubles.

Suppose we sum up the volume of attracting budget loans from other budgets of the budgetary system of the Russian Federation in 2022 and the planned period. In that case, it will amount to 26,758.4 million rubles (including 3,408.4 million rubles – a budget loan for financial support of implementing the infrastructure project Cultural and Business Center "New Murmansk"). The total repayment amount will be 25,681.1 million rubles. Further, the volume of fundraising in 2022 will amount to 9,342.8 million rubles in the planned period and will gradually decrease to 9,275.6 million rubles and up to 8,140.0 million rubles, respectively.

It is worth concluding that there is a tendency to reduce the volume of borrowing from 45,692.8 million rubles (2022) to 36,820.0 million rubles (2024) or by 19.4% (mainly due to a reduction in the share of loans from credit institutions), which is a positive value. At the same time, the planned period also provides for an increase in the amount of funds allocated for debt repayment from 35,730.8 million rubles (2022) to 36,609.6 million rubles (2024), or 2.5%, i.e.,



Murmansk region's budget is coming out of deficit, which indicates that more funds will be spent on providing more areas in need.

In 2022, the volume of attracting government loans from credit institutions (commercial loans) was 3.9 times higher than the planned volume of attracting budget loans. In 2023 and 2024, the planned volume of attracting commercial loans will exceed the volume of attracting budget loans by 3.5 times. Thus, in 2022-2024, significant volumes of attracting commercial loans than budget loans are maintained, which increases the costs of the regional budget for servicing them and consequently reduces its debt sustainability.

### **The directions of Murmansk region's tax policy for 2022 and the planning period of 2023 and 2024**

In the three-year term 2022-2024, more attention will be paid to improving tax regulation to create conditions for the growth of investment activity, support for medium and small businesses, and ensure the sustainability of the regional budget system.

Next, it is necessary to move on to the part of strengthening the tax potential of the Murmansk region to increase revenues of the consolidated region's budget:

- (1) performing measures to identify the root causes of the deterioration of the financial condition and solvency of the backbone organisations of the Murmansk region;
- (2) identifying, if necessary, measures to support the economy of the region in identifying negative factors (risks) affecting the sustainable operation of relevant business entities operating in the Murmansk region, including considering the epidemiological situation;
- (3) preparing proposals to address issues related to changes in federal and regional legislation regulatory legal acts of local governments, including improving the efficiency and effectiveness of taxation, like enhancing the administration of tax and non-tax payments and repayment of debts on them;
- (4) provision of separate tax benefits for economic entities for taxes to be credited to the budget of the Russian Federation's subject using the "two keys" rule, provided that the objectives of delivering such tax benefits correspond to the goals of state programmes and Murmansk region's socio-economic policy that are not related to state programmes;
- (5) annually establishing a coefficient reflecting the regional characteristics of the labour market to calculate a fixed advance payment on personal income tax for foreign workers engaged in labour activity in the Murmansk region based on a patent;
- (6) continuing work on the involvement in the tax turnover of individual real estate objects, in respect of which the corporate property tax is calculated based on the cadastral value;
- (7) continuing work on inventory and optimisation of regional property and municipal property, involvement in economic turnover of unused real estate and land plots;
- (8) organising and conducting the state cadastral valuation of real estate to update the tax base;
- (9) setting a certain period of validity for the introduction of new regional tax benefits and other tax advantages;
- (10) taking measures to ensure fair competitive conditions in the provision of services by economic entities of various forms of ownership;
- (11) assessing Murmansk Region's tax expenditures due to the provision of regional tax benefits, including determining their practicality and effectiveness;

(12) taking measures to prevent inefficient tax expenditures.

Now, it is worth mentioning the part of developing Murmansk region's tax potential, in which it is planned to:

- (1) improving conditions for attracting investments into the economy of the region, including mechanisms of state support for economic entities that have received the status of residents of the territory of advanced socio-economic development "Capital of the Arctic", the Arctic zone of the Russian Federation to increase economic potential and unlock the potential of competitive advantages of the Murmansk region as a subject of the Arctic zone of the Russian Federation, increase business activities in the macroregion;
- (2) introducing an "investment tax deduction" mechanism, including stimulating enterprises of essential non-resource sectors of the economy to participate in the implementation of the activities of the national project "Labour Productivity";
- (3) improving the mechanisms of tax regulation and stimulation of investment activity of the regional economy, including attracting investments to implement investment projects on the terms of public-private partnership, municipal-private partnership and concessions;
- (4) improving support measures to create favourable conditions for implementing projects to reduce the hydrocarbon footprint, including hydrogen investment projects, in the Murmansk Region;
- (5) promoting the involvement of new business entities in small and medium-sized enterprises, including maintaining the "tax holidays" for first-time registered individual entrepreneurs applying the simplified taxation system and the patent taxation system for certain types of economic activity in the Murmansk Region until 2024;
- (6) support for entrepreneurial initiatives by maintaining, until 2023, the maximum reduced tax rates levied in connection with the application of the simplified taxation system for taxpayers operating in the Murmansk region, without restrictions on types of economic activity;
- (7) improving tax regulation of simplified and patent taxation systems;
- (8) creating conditions conducive to developing entrepreneurial activity and legalising business by self-employed citizens.

#### **The main directions of Murmansk region's debt policy for 2021 and the planning period of 2022 and 2023**

Now, it is necessary to move on to the debt policy concept. Murmansk Region's debt policy is understood as the strategy for managing state internal borrowings of the Murmansk region, which is aimed at:

- meeting the needs of the Murmansk region in borrowing financing;
- timely and complete fulfilment of Murmansk region's government debt obligations;
- minimising the cost of servicing the Murmansk region's state internal debt;
- maintaining the volume and structure of Murmansk region's obligations, excluding their non-fulfilment;
- compliance with the values of indicators that ensure a high level of Murmansk region's debt sustainability;

- ensuring financing of the regional budget deficit.

The Ministry of Finance implements the Murmansk Region's debt policy. In 2022-2024, the debt policy will be implemented together with the main parameters of the region's economic development.

The main factors that determine the direction of Murmansk region's debt policy for 2022 and the planning period of 2023 and 2024 are:

- the likelihood of exposure to macroeconomic risks related to the deterioration of the economic environment of the external and internal markets, like changes in investment plans (strategies) and policies of vertically integrated companies, infrastructure companies and organisations;
- amendments to the Russian Federation's budget legislation;
- instability of Russian Federation's legislation on taxes and fees;
- the growth of Murmansk Region's expenditure obligations due to the need to implement the provisions of the Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation dated April 21, 2021, to achieve the targets of regional projects implemented within the framework of relevant national projects aimed at achieving national development goals;

Murmansk Region's debt policy is also aimed at:

- compliance with the upper limits of public debt, the size of the regional budget deficit and the maximum amount of borrowing within the limits established by the Budget Code of the Russian Federation and the law of the Murmansk Region on the regional budget for the next financial year and for the planning period;
- ensuring the maintenance of expenses for servicing Murmansk region's public debt within the limits established by the Budget Code of the Russian Federation and the law of the Murmansk Region on the regional budget for the next financial year and for the planning period;
- compliance with the values of indicators that ensure a high level of debt sustainability in the Murmansk region.

### **Conclusion**

Based on the above, the authors can conclude that there is a shortage in almost all areas of financing. Expenditures on education and science, health care, and social support decreased by nearly 2%. Still, subsidies to state budgetary and autonomous institutions for financial support of state tasks, on the contrary, increased by 1-2% compared to 2021. However, according to the bill, it is assumed that tax and non-tax revenues of the regional budget will grow in 2022.

The regional budget for 2022 amounted to a deficit of 20,341,215.1 thousand rubles, which amounts to 10.4% of the approved total annual revenue of the regional budget, but without considering the agreed amount of gratuitous receipts and does not exceed the limit set by paragraph 2 of Article 92.1 of the Budget Code of the Russian Federation, but at the same time exceeds the deficit level by 0.4 percentage points the budget defined by section 5.

It is worth noting that the regional budget is projected to have a deficit of 5,750,784.5 thousand rubles in 2023 and 616,926.1 thousand rubles in 2024. The projected deficit size corresponds to the restrictions established by paragraph 2 of Article 97.1 of the Russian Federation's Budget Code.



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### Appendix

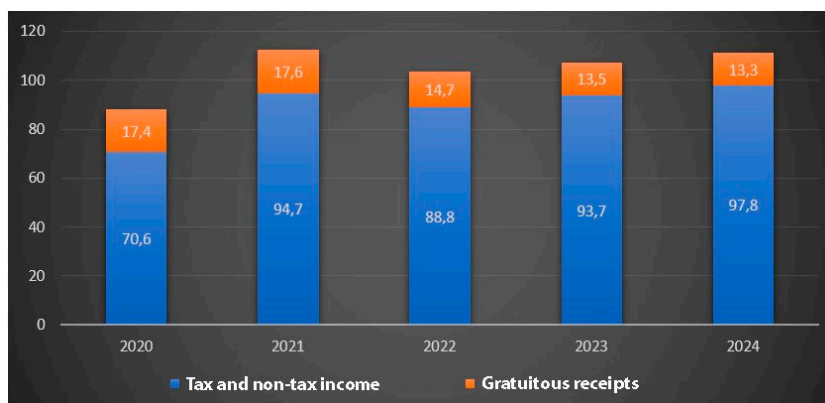


Figure 1. The dynamics of income receipts for 2020-2024

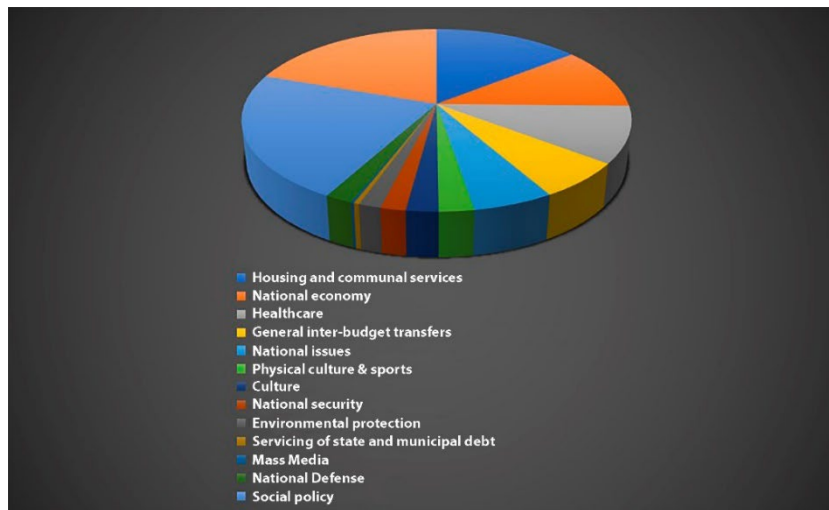


Figure 2. The structure of expenditures of the regional budget for 2023 and a comparative analysis of changes

Table 1. Dynamics of gratuitous receipts to the regional budget in 2020-2024

Indicators	Execution for 2020	Approved for 2021	Approved for 2022	2023 (forecast)	2024 (forecast)
Gratuitous receipts, thousand rubles	17,355,885.0	177,624,013.0	14,732,979.8	13,477,215.1	13,260,580.4
By the previous year, thousand rubles	x	268,128.0	-2,891,033.2	-1,255,764.7	-216,634.7
By the previous year, %	x	101,5%	83,6%	91,5%	98,4%

Table 2. Total expenditures of the regional budget for the planning period of 2023 and 2024, considering conditionally approved (approved) expenses

No.		Approved by the draft budget for 2021	Approved by the draft budget for 2022	The bill	
1	TOTAL EXPENSES:	104,550,145.7	123,910,285.1	112,969,807.4	111,633,764.8
1.1.	Change to the level of the previous year		18,5%	-8,8%	-1,2%
1.2.	Change to the approved volume for 2020		18,5%	8,1%	6,8%
2	Conditions approved expenses			4,435,468.0	8,716,738.6
	The share of total expenditures, excluding expenditures provided for from the federal budget			4,5%	8,9%
3.	The amount of expenses excluding conditionally approved	104,550,145.7	123,910,285.1	108,534,339.4	102,917,026.2
3.1	Including at the expense of the federal budget (share in the volume of allocated expenses)	17,328,122.6 16,6%	14,732,979.8 11,9%	14,477,215.1 12,4%	13,260,580.4 12,9%

Table 3. Dynamics of the size of the deficit (surplus) of the regional budget in 2020-2024

	2020	2021	2022	2023	2024
Executed (surplus)	1,395,206.7				
Approved (surplus)		7,796,122.6	20,341,215.1		
Change		6,400,915.9	x		
Project (deficit)				5,570,784.5	616,926.1
Change				-14,590,430.6	- 5,133,858.4

*Yuri M. Aprelkov* <sup>[13]</sup>

*Scientific supervisor: Nina N. Gontar*

### **Analysis of Kirov region's budget for 2021** <sup>[10]</sup>

*Abstract:* The budget of a constituent entity of the Russian Federation (regional budget) is a form of formation and expenditure of funds for the financial year intended to fulfil expenditure obligations of the relevant constituent entity of the Russian Federation. Regional budgets are the most critical indicator of the current state of affairs in the regions. They make it possible to assess the quality of the distribution of finances in the system, detect flaws and inconsistencies in the system, make adjustments and improve the efficiency of the system's current state. The study subject is the norms of law governing relations in forming and implementing subject's budget. The study object is the budget of the Kirov region. The study aims to study the budget execution of the Kirov region. To achieve this goal and solve the research tasks, scientific methods such as analytical, systematic, comparative and statistical were applied. The study used normative legal acts, statistical data and the work of researchers in regional economics. The author concludes that the approved and executed budget assignments 2021 vary greatly. It should be borne in mind that such a difference in indicators is caused by circumstances that could not have been predicted when drawing up the budget plan of the Kirov region for 2021.

*Keywords:* Kirov region, regional budget, budget execution, budget of a constituent entity of the Russian Federation.



### **Introduction**

The budget of a constituent entity of the Russian Federation (regional budget) is a form of formation and expenditure of funds for the financial year intended to fulfil expenditure obligations of the relevant constituent entity of the Russian Federation. Regional budgets are the most critical indicator of the current state of affairs in the regions. They make it possible to assess the quality of the distribution of finances in the system, detect flaws and inconsistencies in the system, make adjustments and improve the efficiency of the system's current state. They are used for:

- planning the distribution of finances;
- formation, approval and expenditure of state funds;
- forecasting the social and economic development of the subjects of the Russian Federation and the entire state;
- calculating the degree of security of citizens of the state in a particular territory.

The study subject is the norms of law governing relations in forming and implementing the budget of the subject.

The study object is the Kirov region's budget.

The study aims to research the Kirov region's budget execution.

To achieve this purpose, it is necessary to solve the following tasks:

- study the social and economic characteristics of the Kirov region;

- study the main provisions on education and budget execution;
- analyse the budget execution of a constituent entity of the Russian Federation using the example of the Kirov region.

To achieve this purpose and solve the study tasks, scientific methods such as analytical, systematic, comparative, and statistical were applied.

The study used regulatory legal acts, statistical data and the work of researchers in regional economics.

## **The results of the study**

### **The main social and economic characteristics of the Kirov region**

Kirov Region is the Russian Federation's subject. It is part of the Volga Federal District. It belongs to the Volga-Vyatka economic district. The territory of the region is 120.4 thousand sq. km.

On January 1, 2021, the population was 1.25 mln people. 77% of the region's population lives in cities and urban-type settlements, and 23% lives in rural areas. The population density is 10.66 people per sq. km. The main population is Russians (91.8%), Mari (2.6%), Tatars (2.2%), Udmurts (1.4%), and others (*The average..., 2022*).

The climate is moderately continental. The proximity to the Arctic Ocean allows cold air to invade, causing severe frosts in winter and sharp cold spells in the summer months. Kirov is the administrative centre of the Kirov region.

Kirov is located in the valley of the Vyatka River, in its middle course, in the northeastern European part of Russia, on the Russian plain, in the zone of taiga forests, in the belt of woodlands and opolias.

The distances to the nearest major cities are 409 km to Kazan, 471 km to Perm, 563 km to Nizhny Novgorod, 734 km to Ufa, and 770 km to Samara.

Kirov region, one of the largest in the Non-Chernozem zone of the Russian Federation, is located northeast of the Russian Plain in the central-eastern part of European Russia. Kirov region borders nine subjects of the Russian Federation (more than any other subject of Russia): in the east with the Perm Territory and Udmurtia, in the north with the Komi Republic and the Arkhangelsk region, in the west with the Vologda, Kostroma, Nizhny Novgorod regions, in the south with the republics of Mari El and Tatarstan.

The unique geographical location of the Kirov region provides opportunities for the active development of cooperation and integration ties in the economy, financial and social spheres. Nevertheless, the containment of socio-economic development is caused, among other things, by several key factors:

- the current settlement system, mainly associated with a large area of the Kirov region;
- the unfavourable demographic situation;
- sparsely populated and low population density in most of the region;
- the lack of city centres (apart from the regional centre) capable of “retaining” the population;
- long distances between settlements;



- weak transport infrastructure, which does not fully realise the advantages of a successful geographical location in the Kirov region.

The decrease in the Kirov region's population occurs due to a fairly high mortality rate and migration loss, with a predominance of working-age young people. These problems are challenges and key threats to the region's socio-economic development.

The mineral resource base is sufficient to meet the local needs of the region for widespread minerals. However, its narrow focus and the lack of highly liquid minerals on the foreign market stimulate the creation of a new resource-innovative model for developing the Kirov region. It is the low raw material resource that is a key challenge for developing the industrial potential of the region, as it creates opportunities for growth through new innovative directions, high-tech, knowledge-intensive and innovative industries, the introduction of modern scientific developments, the development of specialised clusters that ensure the qualitative growth of productive forces and, as a result, an increase in the standard of living of the population. Developing priority sectors of the agro-industrial complex in the direction of dairy cattle and livestock breeding is also one of the serious resources for economic growth (*Table 1*).

One of the leading and promising places in the manufacturing industry of the Kirov region is occupied by chemical production. The Kirov region is one of Russia's leading mineral fertiliser producers, monopolising certain brands of fluoropolymers and fluorinated lubricants. About 30% of mineral fertilisers and synthetic ammonia are supplied to the CIS countries and other countries. Enterprises in aviation, electrical engineering, machine tools, the tool industry, lifting and transport and agricultural engineering represent mechanical engineering. The timber industry complex – the region occupies 8<sup>th</sup> place in Russia in terms of harvesting and exporting business timber and 5<sup>th</sup> place in the production of lumber (*Preliminary results..., 2022*).

In agriculture, the specialisation is animal husbandry, mainly dairy and meat production. The main crops grown are cereals, forage crops, potatoes and vegetables. Rye, barley, wheat and oats predominate in the grain structure (*Figure 1*).

### **Analysis of Kirov region's budget revenues**

According to the data of the Ministry of Finance of the Kirov region, based on the Law of the Kirov Region No. 434-ZO, dated December 17, 2020, the main characteristics of the regional budget for 2021:

- The total regional budget's revenues is 66,357.5 mln rubles;
- The total expenditure of the regional budget is 67,492.4 mln rubles;
- The regional budget's deficit is 1,134.9 mln rubles.

Kirov region's draft law "On the Regional Budget for 2021 and the Planning Period of 2022 and 2023" (*2020*) increases the projected total revenue by 3,793.8 mln. rubles in 2021, expenditures by 3,082.1 mln rubles, and reduction of the regional budget's deficit by 711.716 mln rubles.

No changes are made to the parameters of the regional budget in the planning period for 2022 and 2023.

Following the draft law, the volume of the revenue part of the regional budget 2021 increases by 3,793.8 mln rubles due to an increase in tax and non-tax revenues by 1,607.15 mln

rubles and gratuitous receipts by 2,186.65 mln rubles. As a result of the changes, the projected volume of regional budget revenues will increase by 4.9% and amount to 81,223.3 mln rubles.

In the tax and non-tax revenues structure, the most significant increase in the forecast is provided for corporate income tax by 1,970.03 mln rubles or 12.3%; as a result, the updated tax plan, according to the bill, will amount to 10,937.867 mln rubles. At the same time, the actual tax receipts for 11 months of the current year amounted to 12,007.346 mln rubles, which is more than 1,069.48 mln rubles (or 9.8%) of the revenue forecast proposed by the bill for 2021.

The main reason for the significant increase in corporate income tax revenues in 2021 is the improvement (relative to the initially projected) results of financial and economic activities of taxpayers, primarily enterprises in the chemical industry, the timber industry, wholesale and retail trade and the financial sector (due to an increase in production volumes and prices for certain types of products, as well as an increase in consumer activity of the population).

The forecast of tax revenues collected by applying the simplified taxation system is proposed to be increased by 100.358 mln rubles, or by 3.7%. As a result, the updated forecast of tax revenues in 2021 will amount to 2,800.36 mln rubles. As of December 01, 2021, the actual tax receipts amounted to 2,783.77 mln rubles, or 103.1% of the plan (2,7 bln rubles).

Generally, non-tax income parameters are proposed to be increased by 308.372 mln. rubles, mainly due to an increase in:

- fees for the use of forests by 149.752 mln rubles;
- income from operations to manage balances on a single treasury account (income from interest payments for using funds) by 79.16 mln rubles;
- income from fines, sanctions, and damages by 38,917 mln rubles;
- income in terms of compensation for government expenses (receipt of accounts receivable) by 25,68 mln rubles.

According to the results of the draft law's examination, the Control and Accounting Chamber notes that the actual receipts of fees for the use of forests for 11 months of 2021 amounted to 1,228.7 mln rubles, which is 43.413 mln rubles more than the forecast of receipts proposed by the bill for 2021 (1,185.28 mln rubles).

According to the bill, the total amount of gratuitous receipts increases by 2,186.65 mln rubles and will amount to 39,153.5 mln rubles in 2021, which is mainly due to an increase in receipts of inter-budgetary transfers to:

- Implement measures to prevent and eliminate the consequences of the spread of coronavirus infection by 1,326.454 mln rubles;
- Implement social payments by specific categories of citizens by 267.16 mln rubles;
- State support for the agro-industrial complex by 621.91 mln rubles.

### **Analysis of Kirov region's budget expenditures**

Considering the proposed changes, the expenditure part of the regional budget 2021 will amount to 81,702.45 mln rubles, an increase of 3,082.1 mln rubles, or 3.9%.

The changes made to the expenditure part of the regional budget are mainly aimed at:

- ensuring expenditures in priority areas (to ensure social benefits, wages, purchase of medicines, implementation of measures to combat the spread of new coronavirus infection,

compensation of costs in connection with tariff regulation, and provision of inter-budgetary transfers to municipalities of the Kirov region, etc.),

- changes in the volume of gratuitous receipts,
- redistribution of allocations according to the proposals of the leading managers of the regional budget funds.

The draft law's materials (documents) provide detailed information on the proposed spending directions of the regional budget in 2021. The Control and Accounting Chamber notes the following main areas of expenditure.

According to the draft law, expenses for implementing the state programme of the Kirov region "Development of Healthcare" in 2021 will increase by 1,613.4 mln rubles (by 10.7%), including funds from the federal budget of 1,311.93 mln rubles and from the regional budget by 301.463 mln rubles. As a result, the total amount of funds for implementing the state programme will amount to 16,642.1 mln rubles.

The increase in allocations from the federal budget is due to the receipt of funds from the reserve fund of the Government of the Russian Federation for the following activities:

- Purchasing medicines to treat new coronavirus infection (COVID-19) patients, receiving outpatient medical care for 174.38 mln rubles;
- Purchasing an oxygen concentrator, considering delivery and commissioning in the amount of 225.78 mln rubles;
- Provide inter-budgetary transfers to the budget of the territorial compulsory medical insurance fund for additional financial support for additional financial support for the provision of medical care, including to persons with a disease and (or) suspected of having a new coronavirus infection (COVID-19), as part of the implementation of territorial compulsory medical insurance programmes for 926.29 mln rubles.

Allocations for implementing the regional programme to modernise primary health care are decreasing by 14,38 mln. rubles, equal to the cost of motor transport transferred to the Kirov region by the Ministry of Industry and Trade of the Russian Federation.

The main volume of the increase in allocations from the regional budget (181.31 mln. rubles) is associated with the allocation of additional funds to provide healthcare institutions with medical oxygen and medicines to ensure the provision of medical care to patients being treated for infectious diseases hospitals, for the purchase of fuels and lubricants for the Kirov Ambulance Station to provide emergency medical care to citizens who have been diagnosed with a new coronavirus infection, and persons at risk of contracting a new coronavirus infection, such as for the organisation of PCR testing for COVID-19 persons, involved in the implementation of the All-Russian Population Census in 2021.

Allocations totalling 88.876 mln rubles are provided to increase salaries for doctors and junior medical personnel of institutions funded from the regional budget.

Budget allocations in the amount of 20 mln rubles are increasing for the provision of medicines, medical products, protein-free food, and protein hydrolysers to regional beneficiaries.

To make one-time cash payments to medical workers upon admission to permanent employment in medical organizations of the Kirov region in rural settlements, urban-type

settlements, and cities, budget allocations from the regional budget for a total amount of 8.5 mln. rubles are increased.

The draft law proposes increasing budget allocations for implementing the Kirov region's state programme, "Social Support and Social Services for Citizens," by 274.13 mln rubles, of which 265.9 mln rubles will come from the federal budget.

Due to their increased size, budget allocations for implementing monthly payments for children aged three to seven are increasing by 232.1 mln rubles (funds from the federal budget).

Also, at the expense of funds from the federal budget, budget allocations are increased for the implementation of a monthly cash payment, appointed in the event of the birth of a third child or subsequent children before the child reaches the age of three, in the amount of 33.8 mln. rubles, and for implementing an annual cash payment to citizens awarded the badge "Honorary Donor of Russia" – 3.38 mln. rubles (due to the increase in the number of recipients).

In connection with the clarification of the number of recipients, allocations for the provision of specific social support measures for citizens exposed to radiation, like for the implementation of monthly payments of 7.885 mln rubles in connection with the birth (adoption) of the first child, are decreasing.

It is proposed that funds be allocated from the regional budget of 1.7 mln rubles to provide subsidies to social service providers included in the Kirov region's register but not participating in the fulfilment of a state task (order) for social services provided to citizens provided by an individual programme for the provision of social services. As a result, the total amount of funds for these purposes will amount to 2.74 mln rubles.

The bill increases allocations for state support of the agro-industrial complex, including:

- 300.3 mln rubles for reimbursement of part of the cost of purchasing feed for dairy cattle (federal funds);
- 223.34 mln rubles for reimbursement to grain producers of part of the costs of production and sale of grain crops (federal funds);
- 98,26 mln rubles for reimbursement of part of the direct costs incurred for the creation and (or) modernisation of agro-industrial facilities (federal funds);
- 191,93 mln rubles for the provision of subsidies to reimburse part of the costs of purchasing modern agricultural machinery and equipment for the primary processing of agricultural products and (or) payment of lease payments under financial lease agreements from January to September 2021 (funds from the regional budget);
- 2.256 mln rubles to increase budget allocations to meet the conditions of co-financing to the federal budget to reimburse grain producers for part of the costs of production and sale of grain crops (funds from the regional budget).

#### **Brief description of Kirov region's state debt in 2021**

As a result of the changes made to the revenue and expenditure parts of the budget, the deficit of the regional budget 2021 is reduced by 711.7 mln rubles and will amount to 479.15 mln. rubles.

Repayment of budget loans (931.9 mln rubles) and loans from credit institutions (611.7 mln rubles), the repayment dates of which fall in 2021, is planned to be carried out at the expense of the regional budget's revenues.

In the Kirov region's programme of state internal borrowings for 2021, the volume of bank loans is reduced to zero every year. Due to the absence of facts on cash gaps in 2021, the volume of attraction (2.0 bln rubles) and repayment (2.0 bln rubles) of short-term budget loans to replenish budget balances is excluded.

It provides for the return of 100.0 mln rubles in funds previously borrowed for temporary use by the regional budget from the accounts of budgetary institutions.

### Conclusion

Based on the above analysis of the budget of a constituent entity of the Russian Federation, the Kirov region, it can be concluded that the approved and executed budget assignments for 2021 vary greatly. It is worth noting that such a difference in indicators is caused by circumstances that could not have been predicted when drawing up the Kirov region's budget plan for 2021.

The amendments to the expenditure part of the regional budget are mainly aimed at ensuring the costs associated with the allocation of additional funds to provide healthcare institutions with medical oxygen and medicines to provide medical care to patients being treated in infectious diseases hospitals, for the purchase of fuels and lubricants for the Kirov regional state budgetary healthcare institution "Ambulance Station Kirov City" to ensure the provision of emergency medical care to citizens.



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## Appendix

Table 1. Production indices for the main types of economic activity in the Kirov region

	January and February 2021 by 2020	February 2021 as a percentage of	
		February 2020	January 2021
Industrial production	103.7	99.4	102.0
Mining	54.1	53.7	123.7
Manufacturing	102.4	97.4	103.8
Provision of electricity, gas and steam	114.3	115.4	93.9
Water supply, sanitation, waste disposal, pollution elimination	96.9	91.9	91.8

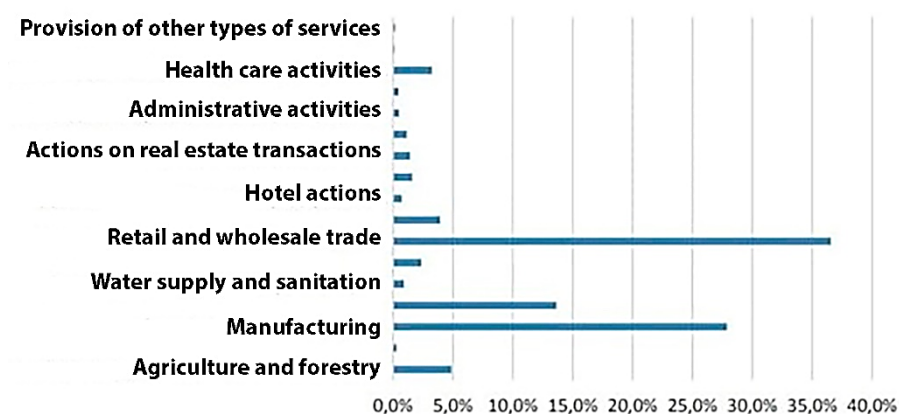


Figure 1. The structure of the Kirov region's economic sectors in January and February 2021

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The background of the entire page is a blurred photograph of a large crowd of people, likely at a public event or conference. Overlaid on this background is a complex network diagram consisting of numerous white circular nodes connected by thin white lines, creating a web-like pattern across the image.

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