RUSSIAN FEDERATION

FISCAL TRANSPARENCY EVALUATION UPDATE

October 2019

This Technical Assistance Paper on the Russian Federation was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in May 2019.

Russian Federation
Fiscal Transparency Evaluation Update

Richard Hughes, Slavi Slavov, and Oksana Dynnikova

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PREFACE

As part of the 2019 Article IV surveillance mission, an IMF team visited Moscow between May 12 to 23, 2019 to conduct a Fiscal Transparency Evaluation Update for Russia. The mission was led by Richard Hughes and included Slavi Slavov and Oksana Dynnikova and was supported by the IMF European Department Team and Resident Representative's Office in Moscow.

The objective of the mission was to review Russia's progress in improving fiscal transparency and responding to the recommendations of the Fiscal Transparency Evaluation for Russia which was published in May 2014. The mission met with representatives from the Ministry of Finance, Federal Treasury, Ministry of Economic Development, Federal Statistics Service (Rosstat), Accounts Chamber of the Russian Federation, Economic Experts Group, and Gaidar Institute.

The evaluation update is based on the information available at the time it was completed in May 2019. The findings and recommendations represent the views and advice of the IMF mission team and do not necessarily reflect those of the government of the Russian Federation. Unless otherwise specified, the data included in the text, figures, and table of the report are estimates made by the IMF mission team and are not official estimates of the government of the Russian Federation.

The mission would like to thank the Russian authorities and other participants for their excellent collaboration in the conduct of this evaluation and the frank and open exchanges of views on all matters discussed. Particular thanks go to Anna Belenchuck, Vladimir Tsibanov, and Dmitrij Nikolskii of the Ministry of Finance for their support to the mission during and after its time in Moscow.

EXECUTIVE SUMMARY

1.   Russia was one of the first countries (and first G20 country) to volunteer to pilot the IMF's new [Fiscal Transparency Evaluation](#) (FTE). The evaluation was conducted in October 2013 on the basis of a draft version of the IMF's revised Fiscal Transparency Code released for consultation in [July 2013](#). The evaluation report was finalized following comments from the authorities and internal reviews and published in [May 2014](#). In light of feedback from consultation and experience from the pilot FTEs, the Fiscal Transparency Code ("the Code") was further refined, approved by the IMF Executive Board, and published in [June 2014.](#)[1] As part of the IMF Article IV surveillance mission in May 2019, Russia's progress in improving fiscal transparency and responding the recommendations over the past five years was evaluated. This report provides a summary of the changes to Russia's fiscal transparency practices since 2014 and makes recommendations for further improvements.

2.   The May 2014 evaluation showed Russia to be one of the best performing emerging market countries to have undergone an FTE but also highlighted a number of areas in need of further reform. Most aspects of its fiscal reporting and budgeting practices were in line with good or advanced practices of the Code and the disclosure and management of fiscal risks had improved significantly in the preceding years. At the same time, the evaluation made nine recommendations for improving fiscal transparency, accountability, and management focused on:

- strengthening the financial disclosure and oversight of the more than 30,000 **public corporations** with liabilities of at least 127 percent of GDP;

- expanding the coverage of the public sector **balance sheet** to recognize the government's estimated 200 percent of GDP in sub-soil **oil and gas reserve** assets and 287 percent of GDP in liabilities from **public pensions** and **PPP** arrangements;

- enhancing disclosure and management of the 2-3 percent of GDP in revenue foregone from **tax expenditures**;

- safeguarding **budgetary integrity** by the reducing the 16 percent of the Federal budget classified as **secret** for national security purposes and eliminating the opportunities for **extrabudgetary domestic investment** via several sovereign wealth funds;

- providing for greater **independent scrutiny** of official macroeconomic and fiscal forecasts, especially of key variables such as GDP growth, inflation, oil prices and volumes; and

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[1] To provide an accurate reflection of material changes to Russia's fiscal transparency practices over the last 5 years, the ratings from the original Russia FTE report have been adjusted to reflect the final 2014 version of the Fiscal Transparency Evaluation (which included a number of revisions compared to the 2013 version of the Code used in the Russia pilot FTE). This resulted in revisions to the ratings for External Audit (1.4.2) from Good to Basic and for Investment Projects (2.1.4) from Not Met to Basic. The rationale for the revisions to the 2014 ratings are explained in the relevant chapters of this report and marked with a (*) in Tables 1, 2, and 3.

- improving the disclosure and analysis of **fiscal risks** by including alternative macro-fiscal scenarios in budget documentation, publishing a comprehensive statement of fiscal risks, and long-term fiscal projections for the next 30–50 years.

3.   Five years later, Russia has made significant progress in addressing a number of the transparency gaps highlighted by the 2014 evaluation. As summarized in Table 1, progress has been especially evident in the disclosure and analysis of fiscal risks where Russia has improved its standing against 5 of the 12 principles in the third pillar of the Code. Specific areas of improvement include:

- **fiscal reporting** has become more comprehensive with the annual publication of a detailed account of the cost of **tax expenditures**, adoption of a **program classification** as the basis for budget appropriations; and publication of the first official (conservative) estimates of the volume and value of sub-soil **oil, gas, and mineral reserves**;

- **fiscal forecasting and budgeting** practices have improved in some areas with the adoption of a **new fiscal rule** based on a conservative estimate of the oil price, publication of the first **Citizens' budget** for the Federal Budget**,** and **participatory budgeting** pilots in more than half of Russia's regions and municipalities; and

- **fiscal risk analysis and management** has improved considerably with the publication of Russia's first **Fiscal Risks Report** in 2015 which included a comprehensive discussion of macroeconomic risks, financial sector exposures, and specific fiscal risks, and the annual production of **17-year macroeconomic and fiscal forecasts** beginning in the 2018 Budget.

4.   At the same time, there are also some areas where Russia has lost ground relative to the 2014 evaluation or made limited progress against its key recommendations. This is especially the case concerning the integrity of fiscal statistics and the annual budget which are under pressure from a number of directions. In particular:

- there has been little material progress in improving the transparency or oversight of Russia's **public corporations**;

- responsibility for production and dissemination of **government finance statistics** remains with the Federal Treasury, an agency of the Ministry of Finance. The Ministry of Finance also determines fiscal statistical methodology. The Federal State Statistical Service (Rosstat) was placed under the control of the Minister of Economy in April 2017 and its Head has replaced by a former Economy Ministry official in December 2018;

- the proportion of the Federal budget classified as **secret** has increased from 10 percent in 2009 to 14 percent in 2013 and 17 percent in 2018 while 35 percent of public procurement contracts in 2018 were classified as secret and therefore not subject to open and competitive tendering procedures;

- Russia's sovereign wealth fund, the **National Welfare Fund** (NWF), has been used as a vehicle for **extrabudgetary transfers** of public resources to the domestic economy in the form of bank recapitalizations (20 percent of total assets) and financing of infrastructure

projects (16 percent of total assets), and the NWF will, in principle, have legal authority to invest future receipts domestically once its liquid foreign assets reach 7 percent of GDP in the next few years;

- amendments to budget execution regulations allow **unlimited carryover and reallocation of resources into, between, and within the 13 National Priority Projects** (accounting for more than one-tenth of the Federal budget) without recourse to a supplementary budget; and

- little progress has been made in the monitoring, disclosure, or management of the fiscal liabilities and risks associated with the almost 2,500 **public-private partnerships projects** with an estimated value of over 2 trillion rubles (2.2 percent of GDP) in 2017.

5.   To build on recent progress and address the gaps and risks identified in this updated evaluation, the following ten further reforms should be considered to further strengthen and safeguard fiscal transparency in Russia:

1. **State-owned enterprises (SoEs):** Produce a summary document on the financial performance of the SoE sector and publish audited financial statements for all SoEs;

2. **Statistical integrity:** Make Rosstat fully independent of Government and produce and publish metadata explaining in an accessible way how the main fiscal indicators or datasets are compiled;

3. **Public private partnerships:** Publish annual estimates of total government obligations under PPP contracts;

4. **Forecast credibility:** Publish comparisons between government economic and fiscal forecasts and those of independent bodies and explain any material differences in budget documentation;

5. **Fiscal rules:** Adhere to the latest fiscal rule to accumulate sufficient assets in NWF to both stabilize macroeconomy and compensate for declining oil and gas revenues over the long-term;

6. **Budgetary integrity:** Ban extrabudgetary domestic investment by the NWF, review and reduce the proportion of expenditure classed as secret, and disclose the costs of quasi-fiscal policy mandates on SoEs in an appendix to the Budget and SoE accounts;

7. **Supplementary budget:** Return to normal in-year virement rules for the 13 National Projects;

8. **Fiscal risks report:** Publish an updated Fiscal Risks Report (FRR) every 3 years and require government to respond within 2 years;

9. **Long-term analysis:** Incorporate 30-to-50-year macroeconomic and fiscal projections into the FRR to assess intergenerational fairness under various oil price, production, employment, and health and welfare spending scenarios; and

10. **Natural resources:** Publish annual estimates of the volume and value of Russia's natural resource reserves under different price and production scenarios, and consider undertaking an evaluation of natural resource management against the recently updated [Pillar IV of the IMF''s Fiscal Transparency Code](#).

6. **The remainder of this report provides a more detailed summary of the changes to Russia's fiscal transparency practices since the 2014 evaluation.** Appendix I provides a detailed update on progress against the nine recommendations made in the original 2014 FTE report. A preliminary set of results from the evaluation update were included in the Staff Report and Selected Issues Paper published following the 2019 Article IV mission. These preliminary results were revised in light of further information shared following the mission which resulted in improvements in the ratings from Basic to Good for Principles 1.3.2 (Internal Consistency), 1.3.3 (Historical Revisions), 1.4.3 (Comparability of Fiscal Data), and 2.4.1 (Independent Evaluation). The improvements in these ratings are reflected in this report which provides the final and definitive results of the evaluation update.

Table 1. Russia: Fiscal Transparency Evaluation: Summary of Changes since 2014

Pillar	Group	#	Principle	Evaluation (2014)	Update (2019)
FISCAL TRANSPARENCY CODE (2014)				**RUSSIA**	
I. Fiscal Reporting	Coverage	1.1.1	Coverage of Institutions	Good	Good
		1.1.2	Coverage of Stocks	Good	Good
		1.1.3	Coverage of Flows	Good	Good
		1.1.4	Coverage of Tax Expenditure	Basic	Good
	Frequency & Timeliness	1.2.1	Frequency of Reporting	Advanced	Advanced
		1.2.2	Timeliness of Accounts	Advanced	Advanced
	Quality	1.3.1	Classification	Good	Advanced
		1.3.2	Internal Consistency	Basic	Good
		1.3.3	Historical Revisions	Basic	Good
	Integrity	1.4.1	Statistical Integrity	Good	Good
		1.4.2	External Audit	Basic*	Basic
		1.4.3	Comparability of Fiscal Data	Basic	Good
II. Fiscal Forecasting & Budgeting	Comprehensiveness	2.1.1	Budget Unity	Good	Basic
		2.1.2	Macroeconomic Forecasts	Advanced	Advanced
		2.1.3	MT Budget Framework	Advanced	Advanced
		2.1.4	Investment Projects	Basic*	Basic
	Orderliness	2.2.1	Fiscal Legislation	Advanced	Advanced
		2.2.2	Timeliness of Budget	Advanced	Advanced
	Policy Orientation	2.3.1	Fiscal Policy Objectives	Good	Good
		2.3.2	Performance Information	Advanced	Advanced
		2.3.3	Public Participation	Basic	Good
	Credibility	2.4.1	Independent Evaluation	Basic	Good
		2.4.2	Supplementary Budget	Good	Good
		2.4.3	Forecast Reconciliation	Basic	Basic
III. Fiscal Risks Analysis & Management	Risk Disclosure and Analysis	3.1.1	Macroeconomic Risks	Basic	Good
		3.1.2	Specific Fiscal Risks	Not met	Good
		3.1.3	LT Sustainability Analysis	Not met	Basic
	Risk Management	3.2.1	Budgetary Contingencies	Advanced	Advanced
		3.2.2	Asset & Liability Management	Basic	Basic
		3.2.3	Guarantees	Good	Good
		3.2.4	Public Private Partnerships	Not met	Not met
		3.2.5	Financial Sector Exposure	Basic	Good
		3.2.6	Natural Resources	Basic	Good
		3.2.7	Environmental Risks	Basic	Basic
	Fiscal Coordination	3.3.1	Sub-National Governments	Advanced	Advanced
		3.3.2	Public Corporations	Basic	Basic

I. FISCAL REPORTING

A. Introduction

7.   Russia has made important progress in enhancing the coverage and detail of fiscal reporting since 2014, but assurances of the quality and integrity of fiscal reporting remain incomplete. Over the last five years, the government has adopted GFSM2014 standards for the classification of institutions to the general government, published its first estimates of the country's sub-soil hydrocarbon and mineral reserves, published a detailed breakdown of the cost of tax expenditures by policy area, introduced a program classification as the basis for budget appropriation, and committed to producing statistics for the public corporations sector by 2022. However, fiscal statistics continue to be produced by an agency of the Ministry of Finance (the Treasury) and Rosstat (the institution responsible for national accounts statistics) had its responsibilities for policy and legal regulation regarding official statistics transferred to the Ministry of Economy. The changes to the evaluation of Russia's fiscal reporting practices are summarized in Table 2 and explained in more detail in the rest of this chapter, including for significant changes that do not affect the rating against the relevant principle.

Table 2. Russia: Fiscal Reporting - Summary of Changes since 2014

FISCAL TRANSPARENCY CODE (2014)				RUSSIA	
Pillar	**Group**	**#**	**Principle**	**Evaluation (2014)**	**Update (2019)**
I. Fiscal Reporting	Coverage	1.1.1	**Coverage of Institutions**	Good	Good
		1.1.2	**Coverage of Stocks**	Good	Good
		1.1.3	**Coverage of Flows**	Good	Good
		1.1.4	**Coverage of Tax Expenditures**	Basic	Good
	Frequency & Timeliness	1.2.1	**Frequency of Reporting**	Advanced	Advanced
		1.2.2	**Timeliness of Accounts**	Advanced	Advanced
	Quality	1.3.1	**Classification**	Good	Advanced
		1.3.2	**Internal Consistency**	Basic	Good
		1.3.3	**Historical Revisions**	Basic	Good
	Integrity	1.4.1	**Statistical Integrity**	Good	Good
		1.4.2	**External Audit**	Basic*	Basic
		1.4.3	**Comparability of Fiscal Data**	Basic	Good

B. Updates to the 2014 Evaluation

1.1.1. Coverage of Institutions (Remains Good)

8.   In 2016, the government formally adopted the IMF's GFSM2014 standard as the basis for the preparation of government finance statistics and classification of institutional

units therein, following two years of trial reporting. MoF Directive No 221n of November 30, 2016 defines the boundaries of the general government and public sector in line with GFSM2014 standards. Federal Agency for Technical Regulation and Metrology (Rosstandart) Directive No. 781-st of October 16, 2018 on Sector Classification defines the basis for the classification and consolidation of entities into institutional sectors in line with GFSM2014 and SNA 2008 principles. Following trial presentations starting in 2014, 2015 was the first year for which GFSM2014 is being used to prepare official fiscal statistics. In principle, the 50 percent rule is applied to distinguish market and non-market producers, but there have not yet been any reclassifications of institutional units between general government and public corporations based on the new standard. In 2017, the MoF and Rosstat launched a pilot exercise to apply the classification of entities thought to be on the general government-public sector boundary. The government's plans for publication of statistics on the consolidated public corporations sector and public sector as a whole are described in Chapter 3 under Principle 3.3.2.

1.1.2. Coverage of Stocks (Remains Good)

9.   In 2016, the government adopted fair value as the basis for recognition of assets and liabilities in the balance sheets of public sector entities. Ministry of Finance Decree 256n of December 31, 2016 "On Approval of the Federal Accounting Standard for Public Sector Organizations: Conceptual Basis of Accounting and Reporting of Public Sector Organizations" calls for individual assets and liabilities to be recognized at fair value, with the main valuation methods being market price and depreciated replacement cost. Ministry of Finance of Russia Decree 257n also of December 31, 2016 N 257n "On Approval of Federal Accounting Standard for Public Sector Organizations: Fixed Assets" requires that any fixed assets intended sale to the private sector be valued at market prices.

10.   The government published its first estimates of the volume and value of its sub-soil oil, gas, and ministerial reserves in 2019. The Ministry of Natural Resources and the Environment issued Directive no 431 on September 4, 2018 requiring the annual publication of estimates of the volume and value of Russia's sub-soil natural resource reserves. In March 2019, the Ministry published its first annual report which estimated the value of Russia's gas, oil, and mineral resources at 55.2 trillion rubles ($844.58 billion) or 60 percent GDP in 2017. These estimates were also recognized in Rosstat's general government balance sheet for national accounts in 2017. The valuation methodology is based on Rosstat form N1-RSPI issued under Rosstat Directive No 863 of December 25, 2017 and includes only those resources for which an exploitation license has been issued and work plan approved. This approach to valuation is considerably more conservative than the estimates of 170 to 230 percent of GDP included in the 2013 FTE report and other independent estimates which include all of Russia's proven and unproven reserves respectively.

11.   The MoF, Rosstat, and the Ministry of Natural Resources are working to produce statistical estimates of the value of all non-produced assets (including sub-soil assets and land) in line with GFSM2014 principles, with initial estimates expected in 2021. Following

issuance of two December 2010 Ministry of Finance Decrees on government accounting (157n and 162n), annual government accounts have included estimates of non-produced assets (including natural resources) on the government balance sheet. However, as noted in the 2013 FTE report, both the coverage and valuation appeared to understate the true value of these assets. The only non-produced asset currently recognized in government finance statistics produced by the Treasury is land currently being used in the provision of public services. From 2021, MoF Directive no 34n on Federal Accounting Standards for Organizations in the Non-produced Assets Sector of February 28, 2018 requires non-produced assets to be recorded as part of nonfinancial assets on the balance sheets of all public sector entities, provided that the entity expects to receive economic benefits or potential utility from the asset and its initial value can be credibly appraised. The subsoil assets category group will recognize all reasonably assured surface, subsoil, and seabed mineral resources including oil, natural gas, ore and non-ore resources, including mineral and thermal sources. The standard will also apply to land not currently deployed in the delivery of public services (such as forests), which are also not currently recognized in the public sector balance sheet.

1.1.4. Coverage of Tax Expenditures (Basic to Good)

12.   The MoF began publishing a detailed breakdown of the cost of tax expenditures in 2017. Since 2017, the annual *Major Directions of Budgetary, Tax, and Customs Tariff Policy,* submitted alongside the draft 2019-21 Federal budget law on October 1, 2018, has included estimates of the costs of tax expenditure by state program and by function. MoF estimate the costs of tax expenditure to be 3.4 trillion rubles or around 3.2 percent of GDP in 2018. In 2019, the MoF launched a program to review the value for money of tax expenditures under each ministry's policy area to inform the 2020 Budget. Legislation for the rollout of the methodology across all tax expenditures and all levels of government (Law No. 494-FZ of December 25, 2018 on "Amendments to the Budget Code" and Resolution 439 of April 12, 2019 on "Rules for Creating a List of and Assessing Tax Expenditures") has been approved with the results of the reviews feeding into amendments to the tax code next year. While the government does not set a numerical limit on the size or growth of tax expenditure, it has set itself the objective of reducing or eliminating those found to be inefficient.

1.3.1. Classification (Good to Advanced)

13.   A program classification was adopted as the basis for appropriation of expenditure by the State Duma in the 2014 Budget. At the time of the 2013 evaluation, a program classification for Federal Budget expenditure was under development based on 40 expenditure programs. The program classification covers 58.5 percent of the Federal Budget and the bulk of Federal non-social security expenditure. The 2014 Budget and subsequent budgets have adopted this new program classification as the basis for appropriation of expenditure by the State Duma. As a result, both budgets and fiscal statistics now include a complete set of administrative, economic, functional, and program classifications in line with international standards.

1.3.2. Internal Consistency (Basic to Good)

14.   Fiscal statistics now incorporate internal consistency between flows and between flows and stocks. Annual GFSM2014-based statistics include reconciliations between (i) the fiscal balance and financing and between (ii) debt issued and change in debt holdings. However, these reconciliations are only applied to flows and changes in stocks with GFS collection framework and are not validated against external data sources. Reconciliations of the stock position between total government debt issued by the Treasury and total holdings of government debt compiled by the Central Bank are not provided and would provide an independent check on the comprehensives of stock data within the GFS system.

1.3.3. Historical Consistency (Basic to Good)

15.   Revisions to historical statistics are reported with an explanation for each major revision. Data are generally considered final when first released and most revisions are minimal. In the event of any revisions, the revised status of the data is clearly indicated when they are released, and an explanation of the changes is provided in an explanatory note to the monthly GFS report. Due to revisions to the Fiscal Transparency Code between the draft 2013 version used in the original Russia FTE and the final 2014 version, this is now sufficient to merit a Good rating under this principle.

1.4.1. Statistical Integrity (Remains Good)

16.   The Ministry of Finance determines fiscal statistical methodology while the Federal Treasury, a quasi-independent agency of the MoF, remains responsible for the production and dissemination of government finance statistics. Decisions about the adoption, interpretation, and application of GFSM2014 standards to government finance statistics remain in the hands of the Ministry of Finance. In April 2017, the Federal State Statistical Service (Rosstat), which is the institution responsible for the compilation of national accounts statistics in the Russian Federation, had its responsibilities for policy and legal regulation in the field of official statistics transferred to the Ministry of Economy following a number of questions being raised about the accuracy of its economic data.[2] The head of Rosstat was dismissed and replaced by former Ministry of Economy official in December 2018. In 2018, the Ministry of Finance, the Ministry of Economic Development, the Rosstat, and the Treasury of Russia established a joint working group to harmonize classifications, which introduced important changes, such as the distinction of a series of transactions in form (financial or in-kind), in nature (current or capital), and also by type of payments (social or non-social). Also, an Order was issued to classify institutional units across economic sectors in accordance with the principles of the GFSM 2014 and the 2008 SNA (an Order of the Federal Agency for Technical Regulation and Metrology (Rosstandart) No. 781-st dated October 16, 2018 "On the Classification of Sectors"). In 2019,

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[2] In accordance with the decree of the President of the Russian Federation of April 3, 2017 №141 "On some issues of improvement of public administration in the field of official statistics" the functions of policy and legal regulation in the field of official statistics were transferred to the Ministry of Economy. At the same time, functions not related to the development of state policy and legal regulations in the field of official statistics were retained by Rosstat.

Rosstat, the Treasury, and Central Bank of Russia established a joint working group to harmonize classifications and accounting treatment between national accounts and fiscal statistics which have already made some important changes such as splitting transfers between sectors into current and capital components.

1.4.2. External Audit (Remains Basic)

17. **While there have not been any material changes in external audit arrangements since 2013, the final Code is more stringent than the draft version used for the original Russia pilot FTE.** Specifically, Principle 1.4.2 of the 2014 version of the Code requires the supreme audit institution to state whether the government's annual financial statements present a "true and fair view of its financial position." As was also noted in the 2013 evaluation, the Accounts Chamber of the Russian Federation does not provide such an opinion but focuses instead on whether the Federal Budget was executed in accordance with the law. This is consistent with a Basic rating under the final 2014 version of the Code. However, work is currently ongoing at the Accounting Chamber of the Russian Federation to prepare changes to Standard SGA 203, "Follow-on Monitoring of Federal Budget Performance," which stipulate that there be a formal opinion on the accuracy of audited statements on federal budget performance in the annual report on federal budget performance, including for 2018.

1.4.3. Comparability of Fiscal Data (Basic to Good)

18. **Reforms to the statistical treatment of taxes and nonfinancial assets have improved the comparability of budgets, statistics, and accounts but transparent reconciliations between the three are still not provided.** Starting in 2016, fiscal statistics included provisions for taxes unlikely to be collected which has improved comparability between budgets and outturns. Changes to the Budget Code in 2017 also reduced budgetary provisions for guaranteed loans to the amounts taken up by the beneficiary rather than the full amount of the guarantee on offer. From 2020, fiscal statistics are expected to include provisions for non-repayment of loans. Finally, nonfinancial assets intended for sale are now valued at market value, reducing large accounting losses/gains on disposal.

C. Further Recommendations

19. **To build on this progress in strengthening fiscal reporting since 2014 and address the key gaps identified in this updated evaluation, the Russian authorities should consider:**

1. **State-owned enterprises (SoEs):** Produce a summary document on the financial performance of the SoE sector and publish audited financial statements for all SoEs;

2. **Statistical integrity:** Make Rosstat fully independent of Government and produce and publish metadata explaining in an accessible way how the main fiscal indicators or datasets are compiled; and

3. **Public-private partnerships:** Publish annual estimates of total government obligations under PPP contracts.

II. FISCAL FORECASTING AND BUDGETING

A. Introduction

20.   Progress in fiscal forecasting and budgeting has been mixed since 2014. The MoF published its first Citizens Budget and has begun piloting citizens participation in budget formulation at the regional and municipal level. At the same time, Russia's extrabudgetary National Welfare Fund (NWF) has been used as a vehicle for domestic extrabudgetary investments, undermining the unity and integrity of the budget as a vehicle for the prioritization and management of public resources. Furthermore, the proportion of the Federal expenditure deemed to be classified as secret for national security reasons, and therefore disclosed only at an aggregate level in the Federal Budget, has continued to increase from 14 percent in 2013 to 17 percent in 2018 and is forecast to reach 20 percent by 2021, reducing the specificity and transparency of the budget.

Table 3. Russia: Fiscal Forecasting and Budgeting - Summary of Changes since 2014

| FISCAL TRANSPARENCY CODE (2014)				RUSSIA	
Pillar	**Group**	**#**	**Principle**	**Evaluation (2014)**	**Update (2019)**
II. Fiscal Forecasting & Budgeting	Comprehen-siveness	2.1.1	**Budget Unity**	Good	Basic
		2.1.2	**Macroeconomic Forecasts**	Advanced	Advanced
		2.1.3	**MT Budget Framework**	Advanced	Advanced
		2.1.4	**Investment Projects**	Basic*	Basic
	Orderliness	2.2.1	**Fiscal Legislation**	Advanced	Advanced
		2.2.2	**Timeliness of Budget**	Advanced	Advanced
	Policy Orientation	2.3.1	**Fiscal Policy Objectives**	Good	Good
		2.3.2	**Performance Information**	Advanced	Advanced
		2.3.3	**Public Participation**	Basic	Good
	Credibility	2.4.1	**Independent Evaluation**	Basic	Good
		2.4.2	**Supplementary Budget**	Good	Good
		2.4.3	**Forecast Reconciliation**	Basic	Basic

B. Updates to 2014 Evaluation

2.1.1. Budget Unity (Good to Basic)

21.   Since 2013, Russia's sovereign wealth fund, the National Welfare Fund (NWF), has been used as a vehicle for extrabudgetary transfers of public resources to the domestic economy and policy-driven lending abroad. Russia's two sovereign wealth funds (the Reserve Fund and the National Wealth Fund) were merged into a single National Welfare Fund in 2018. The NWF was intended to serve as both a stabilization fund (transferring resources from and to the budget depending on whether oil prices were above or below their long-term averages) and

sovereign wealth fund (investing resources for future generations). However, over the last five years, the NWF has been used as a vehicle for direct investment in domestic infrastructure, recapitalization of domestic banks, and policy-driven lending abroad. In April 2019, the National Welfare Fund's 3.8 trillion rubles in assets was comprised of 2.2 trillion rubles in liquid foreign assets (58 percent), 755 billion rubles in assets acquired through bank recapitalizations (20 percent), 613 billion rubles in assets from the financing of infrastructure projects (16 percent of total assets), and 256 billion in other assets (7 percent) including 30 billion in assets earmarked for SME lending and US$3 billion of Ukrainian sovereign bonds (Figure 1). The NWF's capacity to engage in further extrabudgetary investment is constrained in the near term by the government's commitment to accumulate at least 7 percent of GDP in liquid foreign assets in the NWF. However, once this 7 percent of GDP threshold is met in the coming years, the Government will, in principle, have legal authority to invest future receipts domestically outside the budget or in higher-risk foreign assets.

Figure 1. Assets of the National Welfare Fund on April 1, 2019
(billions of rubles)
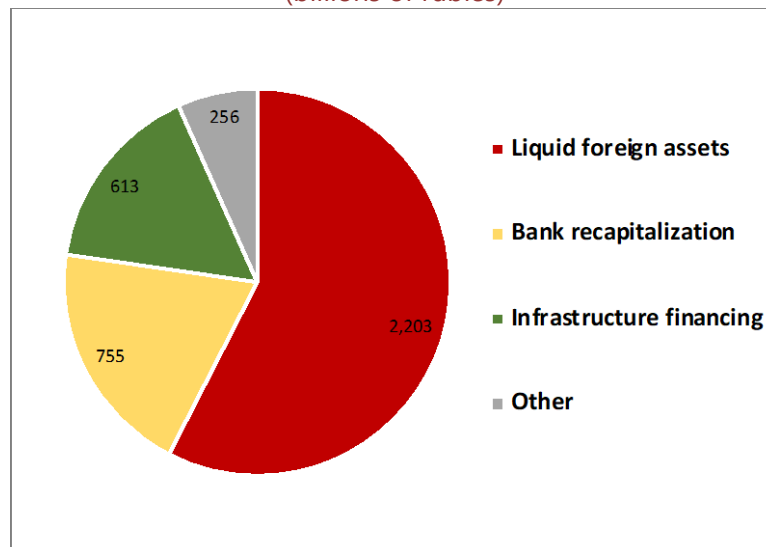
Source: National Welfare Fund, April 1, 2019

22.   The proportion of the Federal expenditure classified as secret for national security purposes has continued to rise. The share of the Federal Budget that is classified as secret has increased from 10 percent in 2009 to 14 percent in 2013 to 17 percent in 2018. Classified expenditure is shown only at the aggregate level and the detail provided for other parts of the budget is withheld. Because of the concentration of procurement activity in these areas, this means that around 35 percent of public procurement contracts in 2018 were classified as secret and therefore not subject to open and competitive tendering procedures as discussed in the next section on investment projects (2.1.3). Moreover, 14 percent of this classified expenditure in the 2018 Federal Budget fell outside Russia' own functional definition of defense and national security expenditure and included expenditure on general public services, economic affairs, health, and education (Figure 2).

Figure 2. Functional Composition of Classified Expenditure
(2018 Federal Budget, billions of rubles)
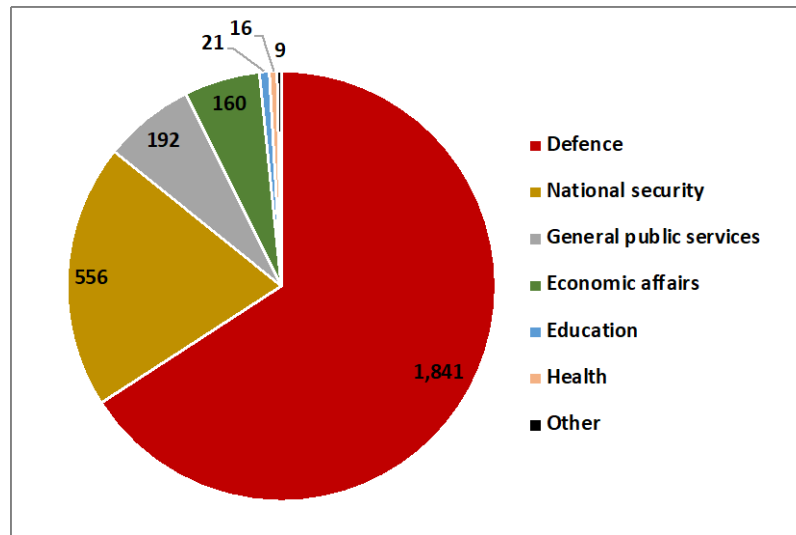
Source: Ministry of Finance, *2019 Budget for the Russian Federation.*

2.1.3. Investment Projects (Remains Basic)

23.   Russia's practices regarding investment projects have not materially changed since 2013, but the rating in the 2014 evaluation has been revised to reflect the final version of the Code. Russia does require all major projects financed from the Federal budget to be contracted via open and competitive tender which is sufficient to earn it a Basic rating under the 2014 version of the Code (but not the 2013 version). However, it should be noted that this does not apply to the 35 percent of procurements (2.4 trillion rubles in 2018) deemed to be classified for national security purposes. The latter include procurements by the Russian space agency (Roscosmos) and the Road and Bridge Agency (Rosovtador). Cost-benefit analyses are routinely undertaken but not published. While Federal budget expenditure limits for the following year and planned limits for the subsequent two years are disclosed annually in a Ministry of Economy Order, the value of total obligations under multi-annual investment projects is not routinely disclosed.

2.3.1. Fiscal Policy Objectives (Remains Good)

24.   The Government has repeatedly modified its fiscal rules over the last five years. The fiscal rule adopted in 2013 required the Federal Government to keep the Federal budget deficit less than 1 percent of GDP based on the average oil price over the previous 5 years (around US$100/barrel at that time) and deposit any surplus revenue in or finance any additional deficit from the Reserve Fund (which was later merged into the National Welfare Fund). This rule was suspended following the collapse of the oil price in 2015. The rule was resurrected in 2017 with a requirement that the Federal Budget (excluding debt interest spending) be balanced based on an oil price of $40/barrel (the average real oil price since 1920) starting from 2019. However, the fiscal rule was revised again in 2018 to allow for a 0.5 percent of GDP deficit (still

based on a $40/barrel oil price) over the next six years to accommodate the additional cost of the 13 priority National Projects announced by the President in 2018. From 2025 onward the government will be expected to balance the Federal Budget (excluding debt interest spending) based on an oil price for $40/barrel indexed by 2 percent per year from 2019.

2.3.2. Public Participation (Basic to Good)

25. **The MoF produced its first Citizens Budget in 2013.** This was published alongside the 2014 Federal Budget following a public consultation on what aspects of the Budget were of most interest to the average citizen. The Citizen's Budget provides an accessible summary of the government's economic and fiscal forecasts, main sources of Federal revenue and destinations of Federal expenditure; and implications of Budget decisions for 17 different demographic groups (including students, families with children, the disabled, military personal, government employees, pensioners, veterans, small and medium businesses, and farmers). From 2016, all 85 regions of the Russian Federation have also produced Citizen's Budgets explaining their own devolved budgets.

26. **The MoF is piloting participatory budgeting at the regional and municipal level.** In 2019, both amendments to the Budget Code and the Local Government Act were presented to, but not yet approved by, the Cabinet, to enable citizens to propose projects for budget financing to their municipalities. So far, municipal governments in 53 of 85 regions have conducted participatory budgeting pilots. The participatory budgeting approach differs from region to region. In St. Petersburg a panel of citizens selected at random from the list of applicants was asked to propose budget initiatives and decide the allocation of earmarked resources among different local projects. In the Sakhalin Region, citizens were invited to express their preferences via voting on a dedicated website. The MoF is currently considering how to incorporate participatory budgeting into the wider results-based performance budgeting framework.

2.4.2 Supplementary Budget (Remains Good)

27. **The government has considerably expanded its legal discretion to reallocate resources between priority national projects without legislative approval.** In November 2018, the government amended the law on budget execution to all allow for it to approve unlimited carryover and reallocation of resources into, between, and within the 13 National Priority Projects without recourse to passage of a supplementary budget by the Duma. However, according to the law 457 from 28.11.2018 which amended Article 130 of the Budget Code, these reallocations must be approved by a trilateral commission on intergovernmental relations which includes representatives of the parliament (the State Duma and the Federation Council). These 13 National Projects announced by the President account for more than one-tenth of total Federal expenditure.

C. Further Recommendations

28.   To build on this progress in strengthening fiscal forecasting and budgeting since 2014 and address the key gaps identified in this updated evaluation, the Russian authorities should consider:

4. **Forecast credibility:** Publish comparisons between government economic and fiscal forecasts and those of independent bodies and explain any material differences in budget documentation;

5. **Fiscal rules:** Adhere to the latest fiscal rule to accumulate sufficient assets in NWF to both stabilize macroeconomy and compensate for declining oil and gas revenues over the long-term;

6. **Budgetary integrity:** Ban extrabudgetary domestic investment by the NWF, review and reduce the proportion of expenditure classed as secret, and disclose the costs of quasi-fiscal policy mandates on SoEs in an appendix to the Budget and SoE accounts; and

7. **Supplementary budget:** Return to normal in-year virement rules for the 13 National Projects.

III. FISCAL RISK ANALYSIS AND MANAGEMENT

A. Introduction

29.   Russia has made considerable progress in the disclosure and analysis of fiscal risks since the 2014 evaluation. Over the last five years, the most significant development was the publication of *Fiscal Risks: Identification, Prevention, and Management* in 2015. This first Fiscal Risks Report (FRR) was prepared by the Public Council of the Russian MoF, comprised of government officials and external experts. The 100+ page report included analysis and discussion of a range of macroeconomic and specific risks including volatility in GDP, oil prices and volumes, and the exchange rate as well as specific fiscal risks such as the government's explicit and implicit exposure to the financial sector, financial pressures on subnational governments, and the erosion of the non-resource tax base. The MoF also published its first longer-term macroeconomic and fiscal forecast covering the next 17 years using both a central and more conservative scenarios for a range of macroeconomic determinants. 2019 also saw the publication of the first official estimates of the volume and value of Russia's sub-soil natural resources reserves as noted in Chapter I.

Table 4. Russia: Fiscal Risk Analysis and Management: Summary of Changes since 2014

Pillar	Group	#	Principle	Evaluation (2014)	Update (2019)
			FISCAL TRANSPARENCY CODE (2014)	**RUSSIA**	
III. Fiscal Risks Analysis & Management	Risk Disclosure & Analysis	3.1.1	Macroeconomic Risks	Basic	Good
		3.1.2	Specific Fiscal Risks	Not met	Good
		3.1.3	LT Fiscal Sustainability	Not met	Basic
	Risk Management	3.2.1	Budgetary Contingencies	Advanced	Advanced
		3.2.2	Asset & Liability Management	Basic	Basic
		3.2.3	Guarantees	Good	Good
		3.2.4	Public Private Partnerships	Not met	Not met
		3.2.5	Financial Sector Exposure	Basic	Good
		3.2.6	Natural Resources	Basic	Good
		3.2.7	Environmental Risks	Basic	Basic
	Fiscal Coordination	3.3.1	Sub-National Governments	Advanced	Advanced
		3.3.2	Public Corporations	Basic	Basic

B. Updates to 2014 Evaluation

3.1.1. Macroeconomic Risks (Basic to Good)

30.   Over the last five years, Russia has begun publishing both fiscal sensitivity analysis and alternative fiscal scenarios. The 2015 Fiscal Risks Report included analysis of the sensitivity of the government finances to fluctuations in GDP, the exchange rate, and oil prices and volumes. The sensitivity of budget revenues to these macroeconomic parameters was separately analyzed for the Federal budget, extrabudgetary funds, and subnational governments. First published in April 2018, the MoF's *Budget Forecast of the Russian Federation up to 2035* includes both a baseline and alternative (conservative) scenario for the consolidated Federal Budget based on alternative assumptions for a range of macroeconomic determinants including the oil price, exchange rate, interest rates, GDP, productivity, investment, wage growth, and unemployment. These are discussed further in 3.1.3 below.

3.1.2. Specific Fiscal Risks (Not Met to Good)

31.   Russia published a comprehensive fiscal risks report in 2015. In June 2015, the Public Council of the Russian MoF, comprised of government and external experts, published a 100+ page report entitled *Fiscal Risks: Identification, Prevention, and Mitigation*. The report included analysis and discussion of a range of fiscal risks including near-term GDP, oil price and exchange rate volatility; explicit and implicit exposure to the financial sector; financing conditions in domestic and external markets; sustainability of sub-national government finances; demographic pressures on the pensions and health system; declining oil and gas revenue; and rising tax gaps for other taxes. In also made nine recommendations for enhancing Russia's resilience to fiscal risks. Some of this discussion and analysis of many of these risks was picked up in the MoF's

subsequent longer-term macroeconomic and fiscal forecasts discussed under principle 3.1.3 below.

3.1.3. Long-term Fiscal Sustainability Analysis (Not Met to Basic)

32.   Russia has begun publishing longer-term macroeconomic and fiscal forecasts covering the next 17 years. The 2015 Federal Law "On Strategic Planning in the Russian Federation" amended Article 170 of the Budget Code to require the government to introduce longer-term budget planning, Federation Decree No. 914 of 32 August 2015; "On the Long-term Budget Forecast of the Russian Federation" prescribed the structure, content, and process for preparing the forecast. Beginning in April 2018, the MoF published the first *Budget Forecast of the Russian Federation up to 2035*. The most recent forecast published in April 2019 includes a discussion on longer-term domestic and international socio-economic trends and provides both a baseline and conservative forecast for the Russian macroeconomy and public finances based on alternative assumptions for key forecast parameters such as the oil price, exchange rate, interest rates, GDP, productivity, investment, wage growth, and unemployment. These alternative macroeconomic scenarios provide the basis for two scenarios for general government revenue and expenditure on the assumption that budgetary expenditure is constrained by the new fiscal rules of a balance budget based on a $40/barrel oil price (Figure 3). The report also discusses and analyzes the key sources of risk to this outlook, including volatility in oil prices, depletion or oil reserves, growth in tax reliefs, rise of informality, aging of the population, and contingent liabilities. However, the assumption underlying both forecast scenarios that the path of expenditure adjusts automatically to meet the fiscal rule in the long-run prevents it from being useful in the analysis of potential long-term mismatches between revenue potential and expenditure pressures, including in the areas of pensions and health.

Figure 3. Russia's Longer-term Fiscal Outlook from 2017 to 2036
(Consolidated Federal Budget, Percent of GDP)
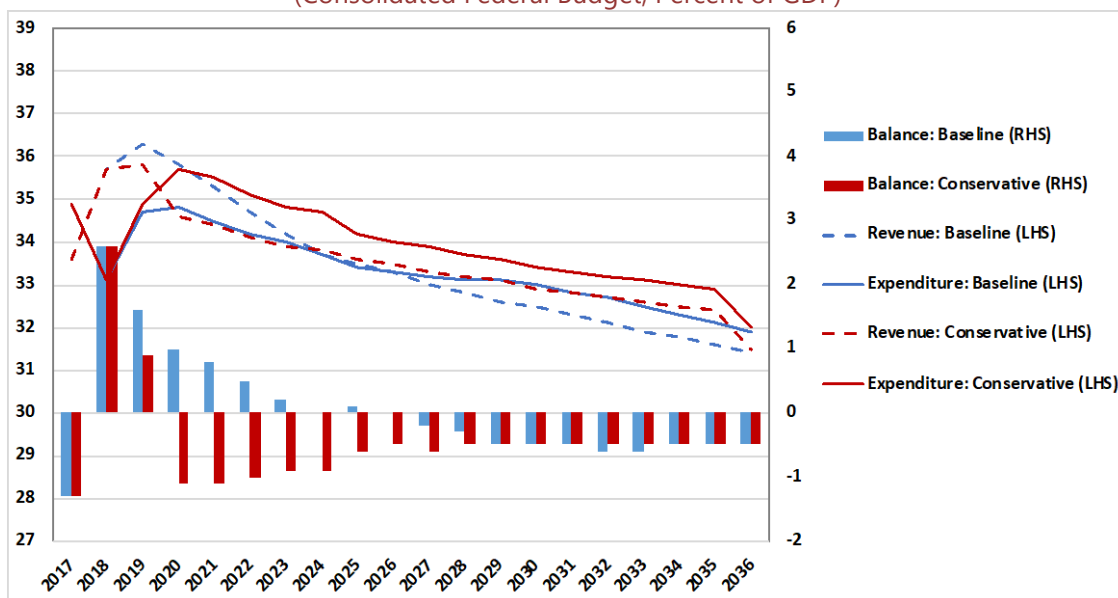
Source: Ministry of Finance, *Budget Forecast of the Russian Federation for the period up to 2036,* April 4, 2019.

3.2.5. Financial Sector Exposure (Basic to Good)

33.   The 2015 Fiscal Risks Report includes analysis and discussion of the government's explicit and implicit exposure to the financial sector. Chapter 3 of the report on Specific Fiscal Risks includes estimates of the state's direct holdings of banking sector assets (60 percent of assets in 2015), implicit exposure to systemically important banks (70 percent of assets in 2017), and direct exposure in the form of the state-backed deposit insurance fund (0.3 percent of GDP in 2015). The chapter also reviews several macroprudential indicators for the Russian banking sector and discusses the possible scale and likelihood of future fiscal support to the sector based on the lessons from Russia's experience of the global financial crisis where budget outlays to support the financial sector were equivalent to around 2–3 percent of GDP between 2008–11.

3.2.6   Natural Resources (Basic to Good)

34.   The government published its first estimates of its sub-soil oil, gas, and ministerial reserves in 2019. Ministry of Natural Resources and the Environment issued Directive no 431 on September 4, 2018 requiring the annual publication of estimates of the volume and value of Russia's sub-soil natural resource reserves. The valuation methodology is based on Rosstat form N1-RSPI issued under Rosstat Directive No 863 of December 25, 2017 and includes only those resources for which an exploitation license has been issued and work plan approved. This approach to valuation is considerably more conservative than the estimates of 170 to 230 percent of GDP included in the 2014 FTE report and other independent estimates which include all of Russia's proven and unproven reserves respectively.

35.   The report estimated the value of Russia's sub-soil hydrocarbon and mineral reserves to be 55.2 trillion rubles ($844.58 billion) or around 60 percent of GDP in 2017. This included

- 9.04 billion tons of oil reserves worth 39.6 trillion rubles (43 percent of GDP);
- 14.47 trillion cubic meters of gas worth 11.3 trillion rubles (12 percent of GDP);
- coking coal worth 2 trillion rubles (2 percent of GDP);
- iron ore worth 0.8 trillion rubles (1 percent of GDP);
- 375 million metric carats of diamonds worth 0.5 trillion rubles (0.5 percent of GDP); and
- 1,407 tons of gold worth 0.5 trillion rubles (0.5 percent of GDP).

Figure 4. Composition of Russia Natural Resource Reserves under Active Exploitation
(trillions of rubles in 2018)
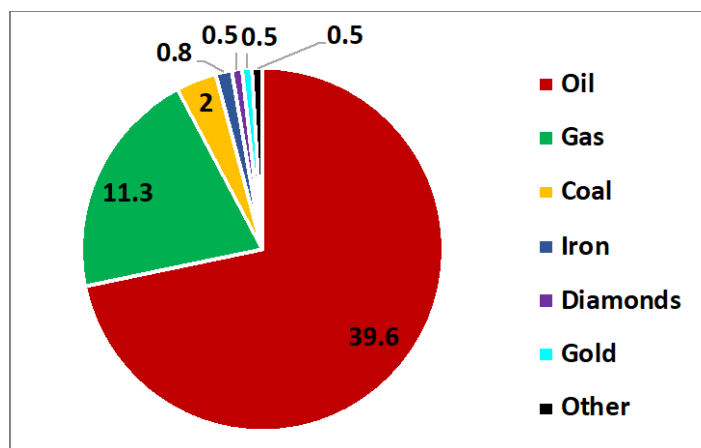
Source: Ministry of Natural Resources and Environment, March 2019.

3.2.7   Environmental Risks (Remains Basic)

36.   Russia's Ministry of Natural Resources and the Environment published a report on the potential impact of climate change on Russia, but it did not include any estimates of the economic or fiscal cost. The 900-page report published in September 2018 included extensive analysis of Russia's contribution to global greenhouse gas emissions (the fourth largest after China, the United States, and India). It also discussed the potential impact of climate change of the different regions of the Russian Federation. However, no estimates of the economic or fiscal implications of these trends was provided.

3.3.2.   Public Corporation (Remains Basic)

37.   The MoF has committed to publication of statistics for the consolidated public corporations sector by 2022. As part of its plans to harmonize its domestic accounting and reporting methodologies with international standards, the government amended the Law on Government Accounting No. 402 on December 6, 2011 and MoF issued Directive No. 45n on March 19, 2019 "On Approval of the Program for Developing Federal Accounting Standards for Public Sector Entities for 2019–21." This program envisages the adoption of two Federal accounting standards in September 2020 ('Consolidated Accounting and Financial Reporting) and in October 2022 ("Information on Accounting (Financial) Reporting Indicators by Segment"). Taken together, these reforms will require the publication of consolidated reporting of the public corporations sector and whole public sector for 2022. The MoF and Rosstat have already amended the reporting templates for public corporations to enable them to be consolidated with the general government to enable public sector statistics to be produced in keeping with this deadline.

38.   The Treasury has also taken some initial steps to improve the control of and accounting for government subsidies to public corporations and other legal entities. In 2016 leger accounts in the Federal Treasury were established for all legal entities, including

public corporations, in receipt of government funding. Debiting of funds from these accounts will be performed only as the funds are required and with the authorization of the Treasury, and any unused balances will be retained by the Treasury.

C.   Further Recommendations

39.   To build on this progress in strengthening fiscal risk analysis and management since 2014 and address the key gaps identified in this updated evaluation, the Russian authorities should consider:

8. **Fiscal risks report:** Publish an updated Fiscal Risks Report (FRR) every three years and require government to respond within two years;

9. **Long-term analysis:** Incorporate 30-to-50-year macroeconomic and fiscal projections into the FRR to assess intergenerational fairness under various oil price, production, employment, and health and welfare spending scenarios; and

10. **Natural resources:** Publish annual estimates of the volume and value of Russia's natural resource reserves under different price and production scenarios, and consider undertaking an evaluation of natural resource management against the recently updated Pillar IV of the IMF''s Fiscal Transparency Code.

Appendix I. 2014 FTE Recommendations: Progress Report

#	2014 RECOMMENDATIONS	PROGRESS IN 2019
1.	**Clarify Institutional Boundaries and Expand Institution Coverage**	
a.	Adopt internationally accepted criteria for classifying entities to the general government and public sector	MoF have adopted GFSM2014 as the basis for preparation of government finance statistics (GFS) (Directives No. 221n of 30 Nov 2016), including for definition of the general government and public sector (Directive 266n of Dec 14, 2018). Ministry of Finance Order 209n of 29 November 2017 approved the methodology for applying the new standards to the classification of the general government sector entities and operations. This new methodology was put into practice on January 1, 2019.
b.	Consolidate entities judged by Rosstat to be primarily nonmarket into general government statistics	Federal Agency for Technical Regulation and Metrology (Rosstandart) Directive No. 781-st of 16 October 2018 on Sector Classification requires consolidation of entities into institution sectors based on GFSM2014 and SNA 2008. In practice 50 percent rule is applied to distinguish market and non-market producers.
c.	Prepare fiscal statistics for the public corporations sector and consolidated public sector	As part of its plans to harmonize its domestic accounting and reporting methodologies with international standards, the MoF issued Directive No. 45n on March 19, 2019 "On Approval of the Program for Developing Federal Accounting Standards for Public Sector Entities for 2019–21." This program envisages the adoption of two Federal accounting standards in September 2020 ('Consolidated Accounting and Financial Reporting) and in October 2022 ("Information on Accounting (Financial) Reporting Indicators by Segment"). Taken together, these reforms will enable the publication of consolidated reporting of the public corporations sector for 2022.
2.	**Expand Balance Sheet Coverage**	
a.	Value and recognize accrued liabilities from funded public pension schemes	No progress to report
b.	Value and disclose government liabilities from public PAYGO pensions	No progress to report
c.	Value and recognize government liabilities under PPPs	No progress to report
d.	Value and recognize subsoil assets	In March 2019, the Ministry of Natural Resources and the Environment published its first estimate of the volume and value of Russia's gas, oil, and mineral reserves at 5.2 trillion rubles ($844.58 billion) or 60 percent GDP in 2017. The valuation methodology is based on Rosstat form N1-RSPI by order Rosstat Directive No 863 of December 25, 2017 and includes only those resources for which an exploitation license has been issues and work plan approved. Ministry Directive no 431 of September 4, 2019 requires these estimates to be updated annually.

		From 2021, MoF Directive no 34n on Federal Accounting Standards for Organizations in the Non-produced Assets Sector of Feb 28, 2018 No. 34n will require non-produced assets to be recorded as part of nonfinancial assets on the balance sheets of all public sector entities provided that the entity expects to receive economic benefits or potential utility from the asset and its initial value can be credibly appraised. The subsoil assets category group will include reasonably assured mineral resources (oil, natural gas, ore and non-ore resources, including mineral and thermal sources, be it subsoil or surface assets, including those located on the seabed).
3.	**Enhance Consistency between Budgets, Statistics, and Accounts**	
a.	Include provisions for taxes unlikely to be collected in budgets and accounts	Fiscal statistics included provisions for taxes unlikely to be collected starting in 2016.
b.	Include provisions for nonrepayment of loans in budgets and accounts	The MoF has initiated an annual assessment of the quality of loans and will begin writing-down the value of doubtful debts from 2020
c.	Provision for guarantees likely to be called and charge market-based guarantee fee	Recording of government guaranteed third party loans in debt statistics has been reduced from 100% of the loan to only the proportion of the guarantee expected to be taken up by the third party lender. Budgetary provision for guarantees is made on the bases of professional estimates of the likelihood of their being called in a given year. Guarantees continue to be provided free of charge.
d.	Move to more market valuation of non- financial assets	According to Ministry of Finance Decree 256n dated December 31, 2016 "On approval of the Federal accounting standard for public sector organizations: Conceptual basis of accounting and reporting of public sector organizations" assets and liabilities are valued at fair value with the main valuation methods being market prices and depreciated replacement cost method. According to the paragraph 29 of the "Federal accounting standard for public sector organizations: Fixed assets," approved by Ministry of Finance Decree 257n of December 31, 2016, fixed assets intended for sale to the private sector should be valued at market prices.
4.	**Improve Disclosure and Management of Tax Expenditures**	
	Improve the reporting and management of tax expenditures	Since 2017, the annual budget is accompanied by a supplementary document on Major Directions of Budgetary, Tax, and Customs Tariff Policy which includes estimates of the costs of tax expenditure by state program and by function. The MoF has launched a program of reviewing the value for money of tax expenditure under each ministry's policy area.
5.	**Improve the Coverage and Detail of the Annual Budget**	
a.	Review the proportion of the budget classified as secret	The share of the Federal Budget that is classified as secret has continued to rise from 10 percent in 2009 to 14 percent in 2013 to 17 percent in 2018. 35 percent of public procurement contracts in 2018 were classified as secret and therefore not subject to open and competitive tendering procedures;
b.	Present any infrastructure investments from the NWF and RDIF alongside the budget	Federal Law of July 19, 2018 No. 222-FZ amended the Budget Code to require expenditures of the Federal Budget for 2019-21 to be financed from the Development Fund to be presented in Appendix 2 of the Explanatory Note to the draft Federal Budget Law.

		Data on the NWF asset holdings is published on a monthly basis on the MoF website.
6.	**Increase Transparency and Scrutiny of Official Forecasts**	
a.	Publish a comprehensive Fiscal Strategy each spring to provide a framework for budget preparation	The MoF's Major Directions of Budgetary, Tax and Customs Tariff Policy sets out the broad guidelines for fiscal policy over the medium term and includes an aggregated expenditure limit for budget preparation determined by the fiscal rule. The document is discussed by the State Duma Committee on Budget and Taxation during its Spring Session (in July in both 2017 and 2018).
b.	Provide a more comprehensive reconciliation of changes to key fiscal aggregates between successive fiscal forecasts	Separate detailed reconciliations of changes to revenue and expenditure are included in the documentation accompanying the annual budget. However, this information is not consolidated into summary reconciliation of changes to borrowing due to economic determinants, policy, statistical revisions, and other factors.
c.	Seek published input from independent experts on the official macro and fiscal forecasts	The State Duma Committee on Budget and Taxes report on the draft Federal Budget law includes analysis and commentary from economic experts in universities and think tanks on the macroeconomic and fiscal outlook for the budget and medium term.
7.	**Improve Disclosure and Analysis of Fiscal Risks**	
a.	Improve analysis and disclosure of macroeconomic risks	2015 Fiscal Risks Report described below includes analysis of the sensitivity of the public finances to fluctuations in GDP, the exchange rate, and oil prices and volumes. The MoF's 17-year macroeconomic and fiscal forecast mentioned in 8a below includes both a baseline and alternative (conservative) scenario for the oil price.
b.	Publish a comprehensive fiscal risk statement	In June 2015, the Public Council of the Russian MoF, comprised of government and external experts, published a 100-page report entitled "Fiscal Risks: Identification, Prevention, and Mitigation." The report included analysis and discussion of a range of fiscal risks including near-term GDP, oil price and exchange rate volatility; explicit and implicit exposure to the financial sector; financing conditions in domestic and external markets; sustainability of sub-national governments; demographic pressures on the pensions and health system; declining oil and gas revenue; and rising tax gaps for other taxes. In also made nine recommendations for enhancing Russia's resilience to fiscal risks.
8.	**Publish Long-term Fiscal Projections**	
a.	Publish long-term fiscal projections for the next 30-50 years based on a range of underlying assumptions	In April 2018, the MoF began annual publication of the *Budget Forecast of the Russian Federation up to 2035* which included a 17-year macroeconomic and fiscal forecasts in accordance with Article 170.1 of the Budget Code. This forecast was updated and extended to 2036 in April 2019, and the intention is to make this 17-year forecast an annual publication.
9.	**Enhance the Financial Oversight of Public Enterprises**	
a.	Require all public corporations to publish audited financial statements	Public corporations in the form of joint stock companies publish audited financial statements according to IFRS. However, these account for around 8,000 of the over 30,000 public corporations

b.	Require all public corporations to present their financial statements in a format which facilitates public sector consolidation	As part of the aforementioned 2019-21 Federal Standards Development Program for public sector entities, work is underway to harmonize the classification of operations of the general government sector with the requirements of international standards on government finance statistics and the system of national accounts and extend these to other public sector entities.
c.	Require public corporations to disclose and quantify all quasi-fiscal activity	The Treasury has also taken some initial steps to improve the control of and accounting for government subsidies to public corporations and other legal entities. In 2016 leger accounts in the Federal Treasury were established for all legal entities, including public corporations, in receipt of government funding. Debiting of funds from these accounts will be performed only as the funds are required and with the authorization of the Treasury, and any unused balances will be retained by the Treasury.
d.	Publish annual report on the public corporations sector	No progress to report.