

BUDGET EXPENDITURES IN RUSSIA AND NORWAY: COMPARATIVE ANALYSIS

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Abstract

The article compares the dynamics of public spending in Russia with Norway. Having analyzed the expenditures of the federal budget of the Russian Federation, we should note their growth over the analyzed period. Most of the federal budget spending is on national defense, law enforcement and financial assistance to budgets of other levels. In addition, the organization of public procurement in Russia needs to be improved, which should be regarded as an instrument not only to meet the current activities of government, but also to implement social policies. It is necessary to increase the efficiency of the economy in order to increase the standard of living of the people in Russia. ¹

Keywords: public expenditures, budgets revenues, federal budget.

JEL code: H50, H51, H56.

Introduction

The distribution policy is an important direction of activity of any state. It is necessary to analyze the nature and consequences of redistribution processes to determine their influence on the economic efficiency of production of public and private goods.

Expenditures of the public sector of the economy reflect relations between the state and recipients of budgetary funds. A part of these relations has a direct monetary expression (pensions, allowances, salaries of civil servants, etc.), while a significant part of the services provided by the authorities to their recipients does not directly have monetary expression (expenses for law enforcement, defense, education and other public goods). Some types of expenditures are not directly related to the provision of public goods and social benefits, but they create conditions for the normal functioning of the economy and promote a development of business.

Politically, the state budget and spending of budget funds are a factor of the reproduction and improvement of existing institutions and government structures. As the functions of the state and influence on social and economic development are realized through the budget and the economic, consideration of the budget and its expenditures is always the subject of acute political struggle in parliaments. The main objective of the research is to estimate the structure of the budgets of Russia and Norway with comparable values of the budget revenues of these countries.

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Analysis of public expenditure in Russia and Norway

According to the Federal Treasury, the total amount of consolidated budget expenditures of the Russian Federation in 2016 amounted to 30.9 trillion rubles, of which federal budget expenditures amounted to 16.4 trillion rubles. It should be noted that revenues in 2016 amounted to 27.7 trillion rubles, of which 13.4 trillion rubles to the federal budget. (see Business-gazeta.ru, news, 2016)

Let's give the structure of federal budget expenditures for 2015.

Table 1. The composition of budget expenditures in Russia in 2015(see Official site of the Ministry of Finance of the Russian Federation)

Name of section	Consolidated budget of the Russian Federation and state extrabudgetary fund (bn RUR)	Federal budget (bn RUR)	Share I total amount		% of GDP	
			Cons. budget	Fed. budget	Cons. budget	Fed. budget
Total	29 741,5	15 620,2	100,0	100,0	36,8	19,3
Common state issues	1 848,2	1 117,6	6,2	7,2	2,3	1,4
National defense	3 182,7	3 181,4	10,7	20,4	3,9	3,9
National security and law enforcement	2 072,2	1 965,6	7,0	12,6	2,6	2,4
National economic	3 774,4	2 324,2	12,7	14,9	4,7	2,9
Housing and utilities	979,9	144,1	3,3	0,9	1,2	0,2
Environment preservation	71,7	49,7	0,2	0,3	0,1	0,1
Education	3 034,6	610,6	10,2	3,9	3,8	0,8
Culture, cinema	395,6	89,9	1,3	0,6	0,5	0,1
Healthcare	2 861,0	516,0	9,6	3,3	3,5	0,6
Social policy	10 479,7	4 265,3	35,2	27,3	13,0	5,3
Physical training and sports	254,9	73,0	0,9	0,5	0,3	0,1
Mass media	125,7	82,1	0,4	0,5	0,2	0,1
Public debt management	661,0	518,7	2,2	3,3	0,8	0,6

Speaking about the dynamics of budget spending in recent years, we can name the following patterns:

- expenditures on national defense are increasing: in 2016 they increased by about 52% compared to 2014;
- expenditures on the national economy are reduced: if in 2014 they amounted to 4.5 trillion rubles, then in 2016 - 3.8 trillion rubles;
- expenditures of the federal budget on education and healthcare are also decreasing every year.

The budget for 2017 was composed with a deficit of 2.7 trillion rubles with incomes of 13.4 trillion rubles and expenditures of 16.1 trillion rubles (see Novayagazeta.ru, news, 13.10.2016). The expenditures for the section "national issues" in the federal budget exceed the total expenditure on education and health in 2017: 1.1 trillion rubles against 902 billion rubles.

If we compare the sections of the federal budget, then the common national issues in 2017 will cost about three times as much as public health (it was allocated 360 billion rubles) and twice as much as education (542 billion rubles) (see Rbk.ru, Officials cost the budget more expensive than medicine and education). Thus, the most favorable trend is not traced, social spending is declining every year, while expenditures on common national issues and national defense are increasing.

Let's consider the structure of budgetary expenditures of Norway, which occupies a leading position in the rating of developed countries and is the first country in the list of countries with the best standard of living.

Table 2. The composition of budget expenditures in Norway in 2015 in billion kroner (see the Official site The state budget of Norway).

Name of section	billion Norwegian kroner	Share, %
Total	1 163,8	100
National insurance system	418,7	35,9
Social welfare	430,2	36,9
Subsidies to local budgets	152,8	13,1
Regional health service	131,4	11,2
Transport and communication	54,7	4,7
National defense	43,8	3,7
Higher education	81,4	7,1
Agriculture	14,3	1,2
Law enforcement	13,3	1,14
Public debt management	12,9	1,10
External help	31,8	2,7
Other expenditures	191,8	16,4

According to the data from the table, the largest share in the structure of budget expenditures is taken up by spending on social policy and insurance payments.

Note that the Norwegian economy also suffered from a drop of world oil prices. In 2016, the state authorities decided to use the funds of a sovereign fund to cover the budget deficit for the first time in history.

Norwegian Government is actively looking for sources of income in the non-primary sector of the economy (See the Norwegian Government. 2017-10-12)

Comparison of the budgets expenditures in Russia and Norway

From the beginning of the 2000s Russia lived on money from the sale of hydrocarbons. There is no real competitive economy that was created in Russia during the years of "oil abundance" could offer quality products to the world.

Russia's budget is slightly less than Norway's budget (approximately \$ 216.0 and \$ 230.3 million), but Norway is the leading country in terms of living standards. GDP growth in Norway in 2017 amounted to 2.8%, in Russia this figure was 1.5% (see the Norwegian Government, 2018 and INTERFAX, 2018)

We will analyze federal expenditure for education, health, national defense and social policy in Russia and Norway.

The Table 3 presents the dynamics of the share of the budget expenditures on education (in %) in Norway and Russia. As we can see from this table, Norway's indicators are almost twice as high as in Russia.

Table 3. Dynamics of the share of budget expenditures on education in Norway and in Russia (in billions of dollars) (see Bakirov R.R., Moreva A.L., 2017)

Years	Norway	Russia
2008	11,7	4,7
2009	12,0	4,3
2010	10,5	4,4
2011	7,4	5,1
2012	7,2	4,7
2013	7,0	5,0
2014	7,4	4,3
2015	7,4	3,9
Average	9,8	4,5

At the post-crisis period 2010-2011 there was a tendency to increase the share of budgetary expenditures for education in Russia, but starting from 2013 there has been a decrease in the share of budgetary expenditures for education. Expenditures of the federal budget for education in 2016 amounted to 9.2% or 564.3 billion rubles.

Now let's consider the health care costs that are no less significant for the population.

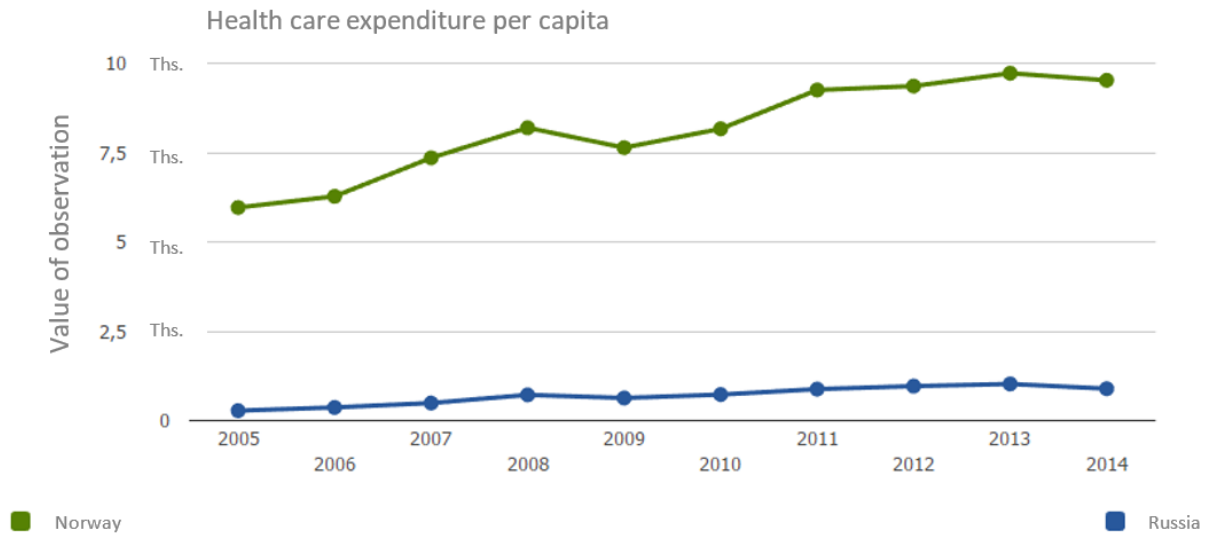
Expenditure on health care in Russia is reduced by 85 billion rubles (18%) – from 466 billion in 2016 to 381 billion in 2017, in 2018 it will amount to 398 billion rubles and in 2019 to 364 billion (see Ria.ru, The Ministry of Finance expects in 2017 to reduce health care costs by 18%).

It should be noted that a number of Russian politicians have repeatedly stated that the budget in Russia need to be increased to 6-7% of GDP, however, currently spending on health is declining from 4% to 3.5% of GDP.

How about the expenditures on health care in Norway? The main principle of Norwegian medicine is the provision of medical care to all residents of the country regardless of their income and social status, therefore Norway is often called the country of victorious socialism, and Norwegian medical services are famous for their quality and accessibility (see Van der Wel, K. A., Dahl, E., Bergsli, H., 2016). Health care expenditures in Norway are very high, they amounted to 9.4% of GDP. In terms of health expenditure per capita, which is \$ 5,426 per year (in Russia this figure is \$ 998), Norway ranks third in Europe, after Luxembourg and Monaco. The country's health care is 73% funded from the state budget, 12% from social insurance funds, and the remaining 15% are co-payments of patients that come from paid medical services (Arguments and facts, Kingdom of Vikings and Fjords. How to provide medical care in Norway).

Not only Norwegian citizens can take advantage of the services of state medical institutions, but all residents of the country who live there for longer than a year (see Kjetil A. van der Wel, Espen Dahl, Heidi Bergsli, 2016). At the same time, EU citizens have the same rights to medical care as Norwegian citizens, but residents from other countries must pay for these services entirely from their own resources.

Below we can see the comparison of health expenditure in Russia and Norway.



Pic.1. Expenditure on health care per capita in Russia and Norway.

Expenditure on health in Norway is 9.57% of GDP (see Actualitix.com), health care expenditure per capita in 2015 in Norway amounted to \$ 9522 (see Time.graphics/ru). As for spending on health in Russia, according to the Ministry of Health, the expenditure do not exceed 5.7%, that is \$ 893 per person a year (see Medportal.ru, Is Russian health care effective?). According to Bloomberg Russia (55th), Brazil, Azerbaijan, Colombia and Jordan entered the list of countries with the least effective health care (see Spb.kp.ru, Russia was the last in the rating of healthcare - the Ministry of Health hastened to "clarify the situation").

Norway has successfully implemented numerous reforms in the areas of primary and specialized care, financing, public health and psychiatric care, provision of medicines and other sectors. Among the prerequisites for the successful implementation of the policy of reforms, we will outline the conciliatory mechanism for making decisions (see Ciara Brennan et al., 2018). In most cases, decisions are made by agreement between the parties concerned and with the key participation of the Norwegian Medical Association. We can say that the political course characterizes the management and control of the center and the independence of local authorities in choosing the most effective implementation mechanisms.

Not less significant budgetary expenses are expenses for a social policy. Expenditure for social policy in Russia will amount to 5.07 trillion rubles in 2017, in 2016 it was 4.45 trillion rubles. In the 2018 the amount of money is slightly reduced by 2.4% compared with 2017 (Rg.ru, Accept the budget).

As for Norway, such payments have remained priority for several years among the remaining budgetary expenditures of the state. Thus in 2014 the total amount of social payments amounted to 396.9 billion kroner. In 2015, this amount increased by 9% to 430.2 billion kroner (36.9% of all expenditures). Social payments occupy the largest share in the structure of budget expenditure in Norway (see the Norwegian Government. 2017-10-12)

What expenses in Russia have the largest amount? The appropriations for the section "National Defense" increased up to 3.9 trillion rubles in 2016. That is a record value for Russia (24% of budget expenditures, or 4.7% of GDP). Assess the effectiveness of such costs is impossible, data on the characteristics or the number of products produced are not available at

public recourses. In comparison: the share of closed costs for the leading countries of the world rating of the "Open Budget Index" (Sweden, Norway) does not exceed 2% or 3% (Novayagazeta.ru, Budget-2017 is a bomb!). Russia ranks fourth in the ranking of military expenditures of leading countries, behind only the US, China, Saudi Arabia. Norway takes only 31 place.

In Norway, special attention is paid to the field of health, information technology and safety innovations. These fields are the subject of ongoing reforms in the country (see Curry, D. S. D., Rykkja, L. H. 2014). The state is looking for effective mechanisms of interaction with the private sector in the field of security. The experience of involving a private business in the security system in Bergen is also interesting (see Nøkleberg, M. 2016).

The Norwegian government is also committed to the open and transparent state management. Let's notice, that in Norway serious attention is given to perfection of procedures of state purchases. The most advantageous offer for the customer is not limited to the evaluation of only the price factor. This concept includes the evaluation of the quality characteristics of works and services, as well as subsequent operational costs. At the same time, the procurement objectives are considered much broader than the reduction of one-off costs in the performance of work, the supply of goods or the provision of services (see Skvortsov O.V. Economical economy? Experience in contracting in Russia and abroad.).

Changes in the regulation of public procurement are aimed at improving the regulatory framework and suggest excluding certain sectors of the economy, traditionally natural monopolies, from the scope of legislation on public procurement; as well as the introduction of more flexible procedures in the procurement practice, in particular the procedures for competitive negotiations, the conclusion of framework agreements.

A bidder who has offered an abnormally low price will be withdrawn from the auction unless he proves that the price he has offered is based on the economic method or technical solution applied or due exclusively to favorable conditions for the applicant or the novelty of the proposed work. In Norway and in a number of countries (for example, in Denmark, Finland and Sweden), abuses associated with the systematic submission of tenders at a price below the cost can be fined up to 10% of the annual turnover of the enterprise (see Strategic Study on the Construction Sector, Final Report, European Commission).

It is worth pointing out that the Ministry of Finance spends the Reserve Fund of the Russian Federation to combat the budget deficit, but this approach is not effective. It makes sense to look at the experience of Norway, which "revealed" its reserves only in 2016 due to the fall in oil prices. The resources of the Reserve Fund of Russia have already been exhausted, and from January 1 of 2018, it ceased to exist and joined the National Welfare Fund (NWF) (see Ria.ru, The Reserve Fund of Russia ceased to exist). Now all additional oil and gas revenues of the budget will be sent to the NWF. In addition, in 2018, the Fund will receive 829.2 billion rubles, which the Ministry of Finance bought in the market as part of its foreign exchange operations over the past year. According to the Minister of Finance the NWF has 3.7 trillion rubles on January 1 of 2018.

Conclusion

We note that the military spending occupies the dominant share in Russia not for the first year, and it is taking place against the background of a reduction of spending on the social sphere. In Norway, much attention is paid to the social sphere, even in a context of the economic crisis and the decline in the income of the commodity sector of the economy. The government applies the principle of austerity, involves private business in solving social problems, develops an innovative economy, decides on privatization, applies an effective system of public procurement (see Fitjar, R.D. et al. 2013, Curry, D. S. D., Rykkja, L. H. 2014)

In the authors' opinion, it is necessary to mobilize the resources of privatization of state property, increase domestic loans, abandon inefficient costs for megaprojects, and other to successfully implement the budget of Russia.

From the point of view of increasing the efficiency of budgetary expenditures, the mechanisms of state social and economic policy should have an accurately calculated budget support. The amount of budget financing needed to achieve specific quantified goals of state social and economic policy should be clearly defined. The criterion should be the achievement of the goals of socio-economic policy financed from the budget. If the spending of budget funds is exceeded, but the goal is achieved to a less degree, then the causes of such a result of using budgetary appropriations should be identified and eliminated.

The effectiveness of spending of budget funds is an important issue of state customers to provide their own needs. Therefore, in these conditions, the expansion of honest, fair competition, which is the key to effective public procurement, is also actualized. From our point of view, the complex character of measures to optimize and develop the procurement system in Russia should be ensured.

Analysis of Norwegian practice has shown that competitive mechanisms are widely used in the procurement of goods, services to save budget funds and fight corruption (see Curry, D. S. D., Rykkja, L. H., 2014). At the same time, an institutional environment for public procurement is needed to successfully overcome corruption and achieve effective use of budget funds.

We should pay special attention to improving the legislation of the Russian Federation on public procurement. The Norwegian experience shows the effectiveness of a strict prequalification with respect to the experience of the company bidding for the state procurement. This approach will eliminate those companies and organizations that do not have the relevant experience and skills.

The experience of foreign countries shows that the problem of implementation of transparent cycle of public procurement under public control is most effectively solved in frame of the creation of national contract systems, which should be based on a thoughtful concept of development of the entire public procurement system.

It can be concluded that the structure of Russia's budgetary expenditures requires changes, as well as strengthening of measures to monitor the effective use of budgetary funds. In particular, it is necessary to develop a set of measures aimed to fight corruption in public procurement. The analysis of budget expenditures in Russia and Norway, carried out in this article, allows us to conclude that the increasing the efficiency of expenditures is a complex and lengthy process. The active role of the state in increasing the efficiency of the economy determines the variety of budgetary expenditures, but at the same time, they should serve a common goal - raising the standard of living of the people of the country.

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