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Social Well-being as a Criterion of Fiscal Policy Efficiency

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Abstract

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The article considers the relationship between the objectives of fiscal policy and well-being of the citizens. The state's budget policy has many public goals and allocated funds: military, national economy, national defense and security of the country, culture and sport, public debt service, the Federal target program, the creation of reserves, intergovernmental transfers, administrative expenses and wellbeing. Promoting the wellbeing of nation is fundamental to the work of government and essential for current issues and research. Budget resources should be directed and allocated in order to meet social objectives that are set out by the government. These documents are as follows: the President's annual speech, the main directions of monetary state's policy, the main budget regulations and federal law about its current budget. Efficiency of fiscal policy and, as a result, improvement of the quality of life of citizens and welfare of the nation can depend on fulfillment of commitments and obligations.

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Keywords: Objectives of fiscal policy, economic and social well-being, budgeting, budget planning.

1. Introduction

Today fiscal policy should aim to efficiently allocate budget resources, fiscal sustainability, quality improvement of state services and the quality of life of the citizens. All these rights are guaranteed by the Constitution of the Russian Federation. Social well-being of citizens remains a key objective for the government and it is implemented through the use of fiscal policy.



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Social well-being of citizens and the improvement of the quality of life depend on efficient management and allocation of budget resources at different levels of government (federal and regional).

The importance of efficiency in social welfare and promotion of social development should become key issues that will determine all economic factors of a developed country, including fiscal policy.

Social welfare as a strategic objective will promote the vital interests of citizens, that is why the allocation and spending of budget resources in this sector should be part of budgetary planning.

2. Budgetary planning: analysis of objectives and tasks of budget policy of the Russian Federation

Before 2016 the Budget Policy Address of the President of the Russian Federation was used as a basis for drawing up a draft budget. It outlined the basic budget policy objectives and strategies and defined new planning principles and measures to increase the efficiency of government spending in future years.

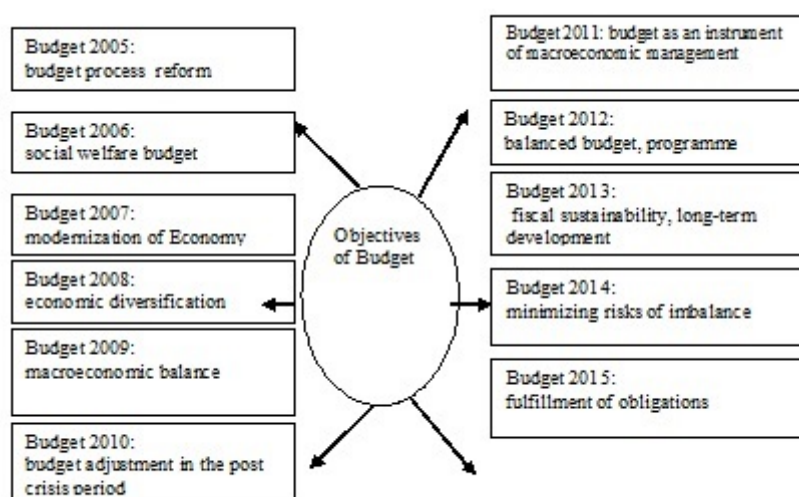


Fig. 1. Objectives of fiscal policy

Figure 1 shows the budget objectives outlined by the President. Table 1 gives the analysis of these objectives and priorities of the welfare policy. It is clear from Table 1 that the objectives of the fiscal policy are discretionary, short-term and have not been achieved as the mechanisms for identifying the goals with the outcomes do not work.

Table 1. Analysis of objectives and priorities outlined in the Budget Policy Addresses of the President of the Russian Federation in 2000-2016. (The analysis has been carried out by the author of this article.)

| Documents | Priorities, key objectives of the welfare policy |
|---|--|
| Budget Policy Address of the President of the Russian Federation of May 31, 2000 «On the budget policy in 2001» | Reducing government expenditures on social services |
| Budget Policy Address of the President of the Russian Federation «On the budget policy in 2002» | ----- |
| Budget Policy Address of the President of the Russian Federation of June 1, 2002 «On the budget policy in 2003» | Fulfilling all federal and municipal commitments and obligations |

| | |
|---|--|
| Budget Policy Address of the President of the Russian Federation of May 30, 2003 «On the budget policy in 2004» | Raising the welfare of the citizens |
| Budget Policy Address of the President of the Russian Federation of July 12, 2004 «On the budget policy in 2005» | Fulfilling commitments and obligations defined in the budget Finance for the Social Welfare reforms |
| Budget Policy Address of the President of the Russian Federation of May 24, 2005 «On the budget policy in 2006» | ----- |
| Budget Policy Address of the President of the Russian Federation of May 30, 2006 «On the budget policy in 2007» | Improving the quality of life of citizens, Creating conditions for economic and social structural changes |
| Budget Policy Address of the President of the Russian Federation of 09.03.2007 «On the budget policy in 2008 – 2010» | Promoting social and economic development of the Russian Federation |
| Budget Policy Address of the President of the Russian Federation of 23.06.2008 «On the budget policy in 2009 - 2011» | Supporting economic growth as the main rationale behind budget policy Raising long term living standards of a nation |
| Budget Policy Address of the President of the Russian Federation of 25.05.2009 «On the budget policy in 2010 – 2012» | Fulfilling welfare obligations Turning to austerity measures |
| Budget Policy Address of the President of the Russian Federation of 29.06.2010 "On the budget policy in 2011 - 2013» | Improving the quality of people's life Improving the quality and access of federal and municipal services delivery |
| Budget Policy Address of the President of the Russian Federation of 29.06.2011 «On the budget policy in 2012 - 2014» | ----- |
| Budget Policy Address of the President of the Russian Federation of 28.06.2012 «On the budget policy in 2013 - 2015» | Defining characteristics and parameters of pension schemes Creating conditions for the quality services delivery |
| Budget Policy Address of the President of the Russian Federation of 13.06.2013 «On the budget policy in 2014 - 2016» | By radically improving the efficiency of the budget policy, unconditionally honouring all the commitments in the social sphere |
| Budget Policy Address of the President of the Russian Federation of July 03, 2014 «On the budget policy in 2015-2017» | Guaranteeing budgetary sustainability Fulfilling commitments and obligations defined in the budget efficiently |
| The Budget message has not been sent to the Federal Assembly of the Russian Federation in 2016 | The Budget message has been cancelled. Priorities and objectives of the budget policy have not been defined. |

The analysis of the objectives shows that during the period 2001 - 2016 the government has set and defined social objectives as well as economic and social development objectives. However, it has not developed a consistent long-term strategy needed to achieve a certain outcome. The objectives outlined by the President do not specify the outcome of long-term budget expenditures. Figure 1 shows that the federal budget has had several changes made in its spendings from a stable to a balanced one. Only in 2006 was social welfare defined as a main objective of the federal budget.

Apart from the Budget Policy Address, the Russian government was expected to approve the long term budget strategy for the period until 2023, developed by the Ministry of Finance in 2008, in order to fulfill the objectives outlined by the President and defined as a planning horizon's extension. The document determined long-term fiscal strategies and objectives including social welfare aims, such as improving the quality of people's life, creating conditions for future development.

However, the government was asked to put off submitting the ‘long term budget strategy for the period until 2023’. Unfortunately, the long-term forecast for Russia’s social and economic development in the period to 2030 has not yet been approved by the government. Though it is said to be the foundation for the country’s long-term budget strategy, as well as federal and regional programs due to the abolition of the Budget Policy Address of the President in 2016.

3. Budget plan: spending on welfare

Table 2 shows government spending on the social security and welfare.

Table 2. Share of government spending on welfare in 2005-2016. (Source: Ministry of Finance // <http://minfin.ru/ru/>)

| Fiscal Year/Spending | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-------|-------|-------|--------|--------|--------|---------|---------|---------|---------|---------|--------|
| Federal budget spending, in billions of current roubles | 3539 | 4270 | 6531 | 7021,9 | 7956,4 | 9886,9 | 10658,6 | 12656,4 | 13387,3 | 13964,2 | 15215,0 | 16098 |
| Spending on Social Security, in billions of current roubles | 167,4 | 205,2 | 286,4 | 270,8 | 310,3 | 328,7 | 2940 | 3895 | 3963 | 3 488,1 | 4 214,6 | 4562,4 |
| Spending on «welfare» (social policy), % of all government spending | 4,7 | 4,8 | 4,4 | 3,8 | 3,9 | 3,7 | 35 | 30,8 | 28,5 | 24,9 | 27,6 | 28,7 |

Apart from the budget expenditure on social security and welfare, the president of the Russian Federation approved the implementation of Priority National Projects while delivering the Presidential address to the members of the government, the Federation Council and State Duma and regional governors held on September 5, 2005. The key issues discussed in the Presidential Address were as follows: «Focusing budgetary and administrative resources on improving Russian citizen's quality of life is both necessary and logical for the economic development that has already taken place, and that will continue in the future. It is a guarantee against disinvestment, and against spending money without receiving noticeable feedback. This is targeted at investment in the person, and therefore, in Russia's future». The President set four primary objectives for the development of “what we refer to as human capital” and the three of them are related to social areas: healthcare, education and housing and the development of agriculture complex. Government spending on the implementation of the above mentioned projects accounted for 134,5 billion roubles in 2006, 206,3 billion roubles in 2007.

4. Conclusion

The President of the Russian Federation and members of the Government are challenged to always create new mechanisms to improve citizens' quality of life. Focusing budgetary resources on social sector policies and increasing efficiency in budget allocation are both necessary to define and measure Russian citizens' quality of life and social well being of the country. However, serious questions have been raised regarding a relationship between short, medium and long-term objectives of the social policy, their sequence and efficiency and reductions in federal spending on social security by 30%.

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