

Fiscal Policy Issues During the Transition in Russia

Augusto Lopez-Claros and Sergei V. Alexashenko



INTERNATIONAL MONETARY FUND

Washington DC

March 1998

VB TU Darmstadt



51641704

Contents

	Page
Preface	v
I Overview	1
II The Context for the Implementation of Fiscal Policy	2
Background	2
Setting the Stage for Reform	3
III Priorities for the Modernization of the Tax System	6
Factors Underlying the Decline in Revenues	6
Role of Tax Reform	12
Value-Added Tax	13
Profit Tax	14
The Tax System	15
Exemptions	16
Tax Administration	17
Penalties and Fines	18
Appendix. Major Tax Exemptions in Force, 1992–96	18
IV Public Expenditure Reform	22
Coverage and Classification Issues	22
Composition	24
Scope for Additional Expenditure Compression	27
Budget Process and Institutional Reform	29
Budget Financing	35
V Social Conditions and Social Protection: Issues and Options	37
An Overview of Social Conditions	37
Income and Consumption Measures	37
Other Welfare Measures	39
Explanatory Factors	40
Social Protection	42
Policy Issues and Options	46
VI The Tasks Ahead	52
VII Bibliography	55
Tables	
Section	
1. Total Tax Revenue	7

	2.	Selected Indicators of Economic Activity	10
	3.	Real Gross Industrial Output by Sector	10
	4.	Tax Arrears	11
	5.	Number of Taxpayers	12
	6.	Selected Countries: General Government Tax Revenue, 1995	16
IV	7.	Government Expenditure	23
	8.	Subsidies to the Economy in 1992	24
	9.	Selected Countries: General Government Expenditures	28
	10.	Budgeted and Actual Federal Expenditures, 1994	34
	11.	Financing of the Federal Deficit	35
V	12.	Poverty Line and Incidence of Poverty	38
	13.	Average Monthly Wages and Pensions	39
	14.	Social Conditions	41
	15.	Population and Pensioners	43
	16.	Social Insurance Fund	45
	17.	Expenditure on Social Programs	46
	18.	Unemployment and Vacancies	47
	19.	Selected Benefits	51

Figures

Section

III	1.	Total Tax Revenue	8
	2.	Selected Indicators of Economic Activity	9
	3.	Real Gross Industrial Output by Sector	9
	4.	Tax Arrears	11
	5.	Number of Taxpayers	12
IV	6.	Selected Countries: Government Expenditure by Components	26
	7.	Federal Spending: Budget Versus Actual, 1994	34
V	8.	Real Average and Minimum Pension	40
	9.	Expenditure on Social Programs	44

The following symbols have been used throughout this paper:

... to indicate that data are not available;

n.a. not applicable;

— to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;

– between years or months (e.g., 1994–95 or January–June) to indicate the years or months covered, including the beginning and ending years or months;

/ between years (e.g., 1994/95) to indicate a crop or fiscal (financial) year.

“Billion” means a thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.

The term “country,” as used in this paper, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states, but for which statistical data are maintained and provided internationally on a separate and independent basis.