

Assessing the Quality of Regional Finance Management: Methodological Issues and Areas of Improvement



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Abstract. Constituent entities of the Russian Federation play an important role in financing major social expenditures in the field of healthcare, education, social services and welfare. Their ability to finance the fulfillment of their spending obligations is of fundamental importance. At the same time, under political and economic instability the financial situation of RF constituent entities is most vulnerable, since, on the one hand, their budgets' revenue receipts are highly dependent on economic conditions, on the other hand, the burden on regional budgets is increasing. In this regard, the effectiveness of managing available financial resources is of particular importance. However, insufficient attention is paid to issues regarding the quality of financial resource management and the necessity and methodology of its assessment. Available economic publications contain only a description of the methodology for assessing the quality of regional finance management approved by Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010 "On the procedure for monitoring and assessing the quality of regional finance management", and an analysis of the monitoring results conducted by the Ministry of Finance of the Russian Federation based on this methodology. Scientific papers do not contain a critical analysis of the assessment methodology itself; this fact determines the relevance of research in this area. The aim of our study is to identify and systematize main shortcomings of the current methodology for assessing the quality of regional finance management and develop proposals for its improvement. We analyze Order 552 of the Ministry of Finance of the Russian Federation dated December 3, 2010 "On the procedure for monitoring and assessing the quality of regional finance management" and examine

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the areas and indicators on the basis of which the quality of regional finance management is assessed. Based on the results of the analysis, we put forward proposals regarding amendments to the methodology for assessing the quality of regional finance management in order to ensure an objective analysis of the organization of financial activities of Russia's constituent entities.

Key words: RF constituent entities, finance management, management quality.

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Introduction

An important condition for ensuring the effectiveness of financial management in any economic entity is the assessment of its quality to make subsequent management decisions aimed at improving the current situation. Public law entities are no exception. Moreover, the specifics of the activities of public law entities and the fact that they manage public financial resources actualize the assessment of the quality of their financial management and increase the importance of its results. The results of the assessment can be used to analyze the effectiveness of financial activities of public law education; objective characteristics of the financial situation of public law education, identification of problem areas related to the formation and use of budgetary funds; assessment of financial risks and potential opportunities of public law education.

Currently, only an assessment of the regional financial management quality is carried out on a regular basis in Russia. The assessment methodology is regulated by Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010 "On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management", according to which the assessment is carried out in seven areas:

- 1) budget planning;
- 2) budget execution;

- 3) public debt management;
- 4) financial relations with municipalities, including on the following activities:
 - effectiveness of intergovernmental relations at the regional level;
 - interaction of the state authority of the RF constituent entities with municipalities to ensure compliance with restrictions on the organization of the budget process at the regional level;
 - the activities of the state authorities of the RF constituent entities to improve the organization of local self-government and the development of citizens' initiative;
- 5) management of state property and provision of public services;
- 6) budget data openness;
- 7) indicators characterizing the implementation of the Presidential Decrees (dated May 7, 2012; 204, dated May 7, 2018, "On National Goals and Strategic Objectives for the Development of the Russian Federation for the period up to 2024"; 474, dated July 21, 2020, "On National Development Goals of the Russian Federation for the period up to 2030").

According to the assessment results, the RF constituent entities are included in one of three groups:

- regions with high quality regional finance management;
- regions with proper quality of regional finance management;

– regions with low (inadequate) quality of regional finance management.

The following regions have been characterized by high quality of regional financial management over the previous three years according to the Ministry of Finance of the RF: Moscow, the Altai Territory, the Bryansk, Kaluga, Moscow, Tula, Tyumen regions, the Kabardino-Balkarian Republic, the Republic of Tatarstan, the Khanty-Mansi and Yamal-Nenets autonomous areas; inadequate quality of regional financial management finance – in the Jewish Autonomous Region, the Udmurt Republic, the Magadan, Pskov, Ulyanovsk regions, the republics of Ingushetia, Kalmykia, Tyva, and Khakassia¹.

In our opinion, the methodology for assessing the regional financial management quality, approved by Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010, provides a general description of the organization of financial management in the RF constituent entities and allows taking their comparative assessment. However, we should say that the methodology was developed and approved more than ten years ago. During this time, the country's budget system and budget legislation have significantly changed, while the assessment methodology has not been critically analyzed and updated. This leads to a decrease in the objectivity of the assessment results, and therefore the methodology for assessing the quality of regional financial management needs to be improved.

The aim of the study is to identify and systematize the main shortcomings of the current methodology for assessing the quality of regional financial management. The scientific novelty of the work consists in the formulation of

recommendations for improving the methodology for assessing the quality of regional financial management to increase the objectivity and completeness of the analysis of the organization of financial management in the RF constituent entities.

The theoretical significance of the research is determined by the development of methodological approaches to assessing the quality of financial management in the RF constituent entities, taking into account the specifics of the organization of their financial activities, as well as stimulating scientific discussion on the effectiveness of financial management in the RF constituent entities. The practical significance lies in the possibility of using the results to amend Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010 “On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management” to organize an objective analysis of the quality of financial management in the RF constituent entities.

Research materials and methods

The issues of assessing the quality of public finance management are raised in the works of many Russian scientists. Most often, scientific articles describe the current assessment methodology approved by Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010, and the results of an assessment of the quality of financial management in the RF constituent entities conducted by the Ministry of Finance of the Russian Federation. For instance, based on the analysis of the results of the assessment of the regional financial management quality over a number of years, the authors note the need for its implementation and its positive impact on the development trends of the RF constituent entities (Shchastyantsev, 2016; Pechenskaya-Polishchuk, 2024). At the same time, attention is focused on the shortcomings of the existing methodology, including the heterogeneity of indicators and monitoring directions (Azokhova, 2020); the absence of

¹ The results of the assessment of the quality of regional financial management for 2023. Official website of the Ministry of Finance of the Russian Federation. Available at: https://minfin.gov.ru/ru/document?id_4=309969-pismo_minfina_rossii_ot_15.10.2024_06-06-0999783_rezultaty_otsenki_kachestva_upravleniya_regionalnymi_finansami_za_2023_god

restrictive measures against the RF constituent entities, which for three years or more have shown poor quality of regional financial management, and, accordingly, incentive measures against the RF constituent entities, the quality of management regional finances in which it is at a consistently high level (Anesyants, Glushko, 2020; Osinin, 2018).

In some scientific papers, a detailed analysis of the assessment results in specific regions is presented in more detail. For instance, an assessment of the quality of regional financial management was carried out in the RF constituent entities of the North Caucasus Federal District (Akinin, Stupnikova, 2020), the Stavropol Territory (Alimova, Telichko, 2019), the Republic of Karelia (Antoshina, 2023), and the Ulyanovsk Region (Shiryaeva, 2023). Based on the results of the work, the authors draw conclusions about the possibilities of improving the quality of financial management in the respective regions.

The research focuses on the theoretical aspects of the organization of the assessment of the regional financial management quality. The content of the concept of “management quality” is structured according to five properties: stability, reliability, efficiency, openness, automaticity (Atrokhova, 2024). At the same time, the assessment methodology is proposed to be developed in accordance with the PDCA cycle (Plan – Do – Check – Act) subject to the following basic rules:

- the quality assessment should be comprehensive, that is, contain indicators characterizing the state of all components of regional financial management;
- the evaluation mechanism should be characterized by the presence of a mathematical apparatus that allows obtaining evaluation characteristics;

- the evaluation characteristics for a specific federal constituent entity should be formed solely on the basis of the state of the regional financial management components in it (without taking into account the state of the components in other federal constituent entities), which is proposed to be implemented by comparing the values of the indicators of the federal constituent entity with uniform, predefined “reference” values;

- based on the results of the assessment, measures should be taken to improve the regional financial management quality and identify those responsible for implementing such measures;

- the results of the assessment should be meaningful, since information about the situation in a particular federal constituent entity is the basis for planning and forecasting scenarios for increasing the degree of favorable financial and economic conditions to ensure its socio-economic development (Atrokhova, 2025).

In some publications, attention is paid to the development of author’s approaches to the methodology for assessing the quality of financial management in the RF constituent entities. For example, the assessment methodology discussed in the article (Kolesov et al., 2019) includes three groups of indicators: a) indicators characterizing the quality of regional budget management at the budget planning stage; b) indicators characterizing the quality of regional budget management at the stage of recipient financing and budget spending; c) indicators characterizing the quality of regional budget management at the stage of formation of accounting and reporting information on the use of budgetary funds.

In recent years, the international practice of public finance management² has been actively

² Analyzing and Managing Fiscal Risks – Best Practices. IMF, 2016. Available at: <https://www.imf.org/external/np/pp/eng/2016/050416.pdf>; Principles of Budgetary Governance. OECD, 2015. Available at: <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0410/>; OECD Journal on Budgeting, volume 2023, issue 3. Available at: <https://doi.org/10.1787/ec1d2b4e-en>; Public Financial Management, and Good Governance. PEFA, 2024. Available at: <https://www.pefa.org/sites/default/files/resources/downloads/9781464814662.pdf>; Financial Management Information Systems in OECD Countries. OECD Papers on Budgeting. OECD, 2024. Available at: https://www.oecd.org/en/publications/financial-management-information-systems-in-oecd-countries_ce8367cd-en.html

considered in the literature (Moynihan, Beazley, 2016) and the organization of public finance management quality assessment in foreign countries (Belenchuk, Lavrov, 2015; Belenchuk, Lavrov, 2016). At the international level, financial management quality assessment is conducted on the basis of the Public Expenditure and Financial Accountability Program (PEFA), designed to assess and report on the strengths and weaknesses of public financial management, which includes 94 parameters (measurements) for 31 key public financial management indicators (indicators) for 7 business components.: 1) budget reliability; 2) transparency of public finances; 3) asset and liability management; 4) policy-based fiscal strategy and budgeting; 5) predictability and control of budget execution; 6) accounting and reporting; 7) external control and audit³.

In our opinion, the components, indicators and parameters provided by the Public Expenditure and Financial Accountability Program for assessing public finance management are more applicable for an interstate comparative analysis of the organization of general financial management and compliance with the rules recommended by international organizations or agreements of states.

Thus, there is currently no critical analysis in scientific research of the methodology used by the Ministry of Finance of the RF to assess the quality of regional financial management.

The main research methods are:

- analysis and synthesis: a detailed analysis of the provisions of Order 552 of the Ministry of Finance of the Russian Federation, dated December 3, 2010 “On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management”, including the structure, directions

and indicators used to assess the quality of regional financial management;

- critical analysis: an assessment of the relevance, completeness and correctness of the indicators included in the methodology is given;

- summary: the shortcomings of the current methodology for assessing the quality of regional finance management have been identified and systematized, and proposals for its improvement have been formulated.

The study was conducted in several stages. At the first stage, the content of Order 552 of the Ministry of Finance of the RF, dated December 3, 2010 was reviewed, and the assessment directions and indicators were studied. At the second stage, a critical analysis of the indicators for each area of assessment was carried out. At the third stage, based on the identified shortcomings, proposals were formulated to amend the methodology for assessing the quality of regional financial management.

Results

In accordance with Order 552 of the Ministry of Finance of the RF, dated December 3, 2010, the quality of regional financial management is monitored in seven areas. Each area characterizes a separate aspect of financial management based on a group of indicators. In our opinion, not all indicators correspond to the intended purpose of monitoring and allow describing the quality of financial management in the RF constituent entities. Let us look at the indicators for each area of assessment separately.

For example, some of the proposed indicators do not relate to the field of “Budget planning” in terms of content, a number of indicators are common budgetary practice and do not indicate poor financial management (*Tab. 1*).

³ Public Financial Management, and Good Governance. PEFA, 2024. Available at: <https://www.pefa.org/sites/default/files/resources/downloads/9781464814662.pdf>

Table 1. Indicators for assessing the quality of regional financial management in the field of budget planning

No.	Indicators provided by Order 552, dated December 3, 2010	Note
1.1	Share of budget expenditures of a constituent entity of the RF carried out within the framework of project activities in the total budget expenditures in the reporting financial year	The indicator content does not relate to the direction of "Budget planning" (does not characterize the quality of budget planning)
1.2	Approval of the budgets of the RF constituent entities with the inclusion of subsidies from the federal budget in the amount not exceeding the amounts provided for in the federal budget.	–
1.3	Execution of the budget of a constituent entity of the RF in terms of income, excluding gratuitous receipts, to the initially approved level	–
1.4	Availability of the results of the annual assessment of the effectiveness of tax expenditures of the RF constituent entities in accordance with the general requirements for assessing tax expenditures of the RF constituent entities and municipalities, approved by the RF Government Resolution 796, dated June 22, 2019	The indicator content does not relate to the direction of "Budget planning" (does not characterize the quality of budget planning)
1.5	The ratio of lost income from regional taxes and the simplified taxation system as a result of tax benefits (reduced tax rates) established by the legislative bodies of the RF constituent entities to the total income from regional taxes and the simplified taxation system	The indicator does not characterize the quality of regional financial management. The possibility of providing tax benefits is provided for by law and their provision is not a sign of poor financial management
1.6	Deviation of the approved amount of expenditures of the budget of a constituent entity of the RF for the next financial year from the amount of expenditures of the corresponding year when it is approved for the first year of the planning period in the year preceding the reporting financial year	–
1.7	The volume of budget loans planned to be attracted from other budgets of the budgetary system provided for as a source of financing the budget deficit of a constituent entity of the RF, with the exception of budget loans to replenish balances on the accounts of budgets of the RF constituent entities	Attracting budget loans to finance budget deficits is not a violation of the law or a sign of poor financial management.
1.8	Compliance of the number of amendments to the law on the budget of a constituent entity of the RF with the maximum allowable value	–
1.9	The share of draft laws of the RF constituent entities on amendments to the law on the budget of a constituent entity of the RF sent using the interdepartmental electronic document management system in the total number of draft laws of the RF constituent entities on amendments to the law on the budget of a constituent entity of the RF sent for approval to the Ministry of Finance of the RF	The indicator characterizes the use of modern technologies, but does not characterize the quality of financial management.
1.10	The share of incentive tax expenditures due to corporate income tax and corporate property tax benefits that have a positive cumulative budgetary effect in the total amount of such tax expenditures	The indicator content does not relate to the direction of "Budget planning" (does not characterize the quality of budget planning)
1.12	The share of reserved funds of the budget of a constituent entity of the RF in the volume of expenditures of the budget of the RF constituent entity	The indicator characterizes the possibility of forming budget reserves at the regional level, but its content does not relate to the field of "Budget planning" (it does not characterize the quality of budget planning)
1.14	Availability of an approved plan ("roadmap") for repayment (restructuring) of overdue accounts payable of the budget of the constituent entity of the RF and budgetary and autonomous institutions of the constituent entity of the RF	–
1.15	The number of laws of the RF constituent entities on amendments to the law on the budget of the RF constituent entity, the approval of which took into account the comments (recommendations) Ministry of Finance of the RF, in the total number of draft laws of the RF constituent entities on amendments to the law on the budget of a constituent entity of the RF submitted for approval (conclusion) to the Ministry of Finance of the RF	In accordance with the principle of budget independence established by the Budget Code of the RF, public authorities and local governments independently carry out the budget process and determine the directions of spending funds. In this regard, the fact of non-compliance with the recommendations of the Ministry of Finance of the RF is not an unambiguous sign of poor financial management.

Source: own compilation.

Regarding the indicators in the direction of “Budget execution” in general, the following aspects can be noted:

– there is no uniformity of indicators in terms of the indicators used. In one case, data on the consolidated budget of the RF constituent entity is used, in the second – on the budget of the RF constituent entity, in the third – on the budget of the RF constituent entity and the funds of budgetary and autonomous institutions;

– a number of indicators characterize the financial condition of the RF constituent entity, but these indicators reflect only individual aspects and do not provide a complete picture of the financial condition of the RF constituent entity;

– a number of indicators are related to the detection of violations of budget legislation, but only issues related to the use of inter-budget transfers are touched upon.

Table 2 gives the notes on the indicators.

Table 2. Indicators for assessing the quality of regional financial management in the budget execution area

No.	Indicators provided by Order 552, dated December 3, 2010	Note
2.1	Share of overdue accounts payable of the budget of the RF constituent entity and local budgets in the expenditures of the consolidated budget of the RF constituent entity	Since the methodology is aimed at assessing the quality of regional financial management, in this case it is more logical to consider only the indicators of the RF constituent entity without taking into account local budgets
2.2	The ratio of the volume of overdue accounts payable of the RF constituent entity and budgetary and autonomous institutions of the RF constituent entity to the volume of expenditures of the budget of the RF constituent entity	–
2.3	The amount of overdue accounts payable for the payment of wages and social assistance benefits to the population at the expense of the budget of the RF constituent entity	–
2.4	The ratio of the increase in expenditures of the budget of the RF constituent entity in the reporting financial year, not provided by a corresponding increase in budget revenues, to the volume of expenditures of the budget of the RF constituent entity	–
2.5	Availability of the results of the assessment of the quality of financial management of the chief administrators of budgetary funds of the RF constituent entity and the formation of their annual rating based on the methodology approved by the regulatory legal act of the RF constituent entity	The indicator does not characterize the quality of financial management
2.6	The coefficient of covering budget expenditures of the RF constituent entity with own funds without attracting borrowed funds	The indicator mostly characterizes the financial condition of the RF constituent entity
2.7	Deviation of the volume of expenditures of the budget of a constituent entity of the Russian Federation in the fourth quarter from the average volume of expenditures for the 1st–3rd quarters (excluding subsidies, subventions and other intergovernmental transfers with a targeted purpose received from the federal budget)	–
2.8	Share of funds recovered from the budget of RF constituent entity in connection with the identification of facts concerning misuse of inter-budget transfers in the total volume of these transfers	–
2.9	The degree to which the budget effect has been achieved from the implementation of programs (plans) aimed at improving the public finances of the RF constituent entity	The objectivity of the indicator is debatable from the point of view of comparing different regions according to this indicator

End of Table 2

No.	Indicators provided by Order 552, dated December 3, 2010	Note
2.10	The ratio of the deficit of the consolidated budget of the RF constituent entity to the volume of investment expenditures of the consolidated budget of the RF constituent entity (excluding inter-budget transfers from the federal budget)	1) The indicator characterizes to a greater extent the ability of RF constituent entity to finance investment expenses, rather than the quality of financial management; 2) since the methodology is aimed at assessing the quality of regional financial management, in this case it is more logical to consider only the indicators of the RF constituent entity without taking into account local budgets
2.11	The level of implementation of programs (plans) aimed at improving the public finances of the RF in the budget of RF constituent entity	The objectivity of the indicator is debatable from the point of view of comparing different regions according to this indicator
Source: own compilation.		

In our opinion, the indicators for the assessment of “Debt management” quite fully characterize this area of activity.

In accordance with Order 552 of the Ministry of Finance of the RF, dated December 3, 2010, the fourth group of indicators on “Financial relations with municipalities” includes three subgroups of indicators characterizing the following aspects: the effectiveness of intergovernmental relations at the regional level; the interaction of the state authority of the RF constituent entity with municipalities in the framework of ensuring compliance with restrictions on the organization the budget process at the regional level; the activities of the state authorities of the RF constituent entities to improve the organization of local self-government and the development of citizens’ initiative.

It seems to us that only the indicators of the subgroup “Effectiveness of intergovernmental relations at the regional level” directly characterize the financial activities of the RF constituent entities. The indicators assigned to this subgroup make it possible to assess the organization of relations between a constituent entity of the RF and municipalities. However, this subgroup also has an indicator that is not directly related to the quality of regional financial management, but rather relates to local budgets. This is indicator 4.1.2. “The share of subsidies from other budgets of the budgetary system of the RF and (or) tax revenues under additional standards of

deductions from personal income tax in the amount not exceeding the estimated amount of subsidies for equalizing budget provision (part of the estimated amount of subsidies), replaced by additional standards of deductions from personal income tax, in total income local budget with the exception of subventions and other inter-budget transfers, intergovernmental transfers from the budget of a constituent entity of the RF provided for the exercise of part of the powers to resolve issues of local importance in accordance with agreements concluded by the municipal district and settlements, the source of financial support for which are funds from the federal budget, funds from the Territorial Development Fund and gratuitous receipts from other funds”.

Regarding the indicators of the subgroup “Interaction of the state authority of the RF constituent entity with municipalities to ensure compliance with restrictions on the organization of the budget process at the regional level”, we should note that they reflect mainly the activities of municipalities in the RF constituent entity rather than the financial activities of the constituent entity itself. Whereas the methodology should provide an assessment of the quality of management of nominal regional finances. In the context of the implementation of one of the principles of the organization of the RF budget system, established by the Budget Code of the Russian Federation (the principle of budget independence), it seems

incorrect to assess the quality of regional financial management, including the following indicators in the number of evaluation parameters characterizing the activities of local governments. For instance, both indicators assigned to this subgroup are indirectly related to the financial activities of a constituent entity of the RF: 4.2.2 “The share of municipalities with a subsidy level of 20% or more that did not establish or fulfill expenditure obligations in the reporting financial year that were not related to resolving issues related to the Constitution of the Russian Federation, federal laws, laws the RF constituent entities to the powers of the relevant local self-government bodies”; 4.2.3 “The share of municipalities with a subsidy level of 50% or more, as well as those that do not

have annual reports on the implementation of the local budget for one year or more of the last three reporting financial years, in respect of whose budgets the financial authority of the RF constituent entity has prepared conclusions on the draft local budget for the next financial year (the next financial year and planning period) in the total number of such municipalities”.

In the third subgroup, “Activities of state authorities of the RF constituent entities to improve the organization of local self-government and develop citizens’ initiative”, a number of indicators also do not characterize the quality of regional financial management. In addition, it is worth noting that this subgroup contains indicators that are not financial in content (*Tab. 3*).

Table 3. Indicators for assessing the quality of regional financial management in the area “Financial relations with municipalities”, subgroup “Activities of state authorities of the RF constituent entities to improve the organization of local self-government and development of citizens’ initiative”

No.	Indicators provided by Order 552, dated December 3, 2010	Note
4.3.1	Share of municipal districts in their total number, powers of the administration of settlements, administrative centers of which are executed by the administrations of municipal districts	1) The indicator does not characterize the quality of regional financial management, it refers to the activities of local governments; 2) the content indicator is not financial
4.3.2	Share of settlements, inner-city districts, inner-city territories of cities of federal significance, municipal districts, urban districts, and municipal districts that have settlements within inter-settlement territories in which self-taxation of citizens has been introduced and (or) the procedure for implementing citizens’ initiative projects and making initiative payments has been established in accordance with the regulations, to the total number of municipalities of the RF constituent entity	The indicator does not characterize the quality of regional financial management, but refers to the activities of local governments
4.3.3	Share of deputies of representative bodies of municipalities who carry out their activities on an unpaid basis in their total number	1) The indicator does not characterize the quality of regional financial management, it refers to the activities of local governments; 2) the content indicator is not financial
4.3.6	Share of municipalities whose budgets have received inter-budget transfers to support local initiatives from the budget of the RF constituent entity in the total number of municipalities	–
4.3.8	Share of municipalities whose budgets provide for the provision of subsidies from the municipal budget to co-finance expenditure obligations arising from the exercise of the powers of local governments to resolve issues of local importance, including to ensure the implementation of concluded agreements on inter-municipal cooperation for joint infrastructure development, to which the city district is a party, the procedure for concluding which is determined by the charter of the municipality and (or) regulatory legal acts of the representative body of the municipality in accordance with the general requirements established by the RF Government in the total number of municipalities of the RF constituent entity	The indicator does not characterize the quality of regional financial management, but refers to the activities of local governments

End of Table 3

No.	Indicators provided by Order 552, dated December 3, 2010	Note
4.3.9	Establishment by the state authorities of the RF constituent entities of uniform standards for deductions from individual non-tax revenues received by the budgets of the RF constituent entities and local budgets	The possibility of establishing uniform standards for deductions from individual non-tax revenues received by the budgets of the RF constituent entities and local budgets is not a mandatory requirement, but the right of the state authorities of the RF constituent entities. In this regard, it is incorrect to use such an indicator as a criterion for assessing the quality of regional financial management
4.3.10	The presence in the RF constituent entity of programs (activities) on the implementation of initiative budgeting in its territory, approved as part of regulatory legal acts	–
4.3.11	Share of municipal districts in the total number of municipal districts and municipal districts	1) The indicator does not characterize the quality of regional financial management, it refers to the activities of local governments; 2) the content indicator is not financial
Source: own compilation.		

In the area of assessment “Management of state property and provision of public services”, the provided indicators generally reflect the quality of regional financial management in this area. However, in our opinion, the methodology does not take into account the assessment of the effectiveness of management of all types of financial investments of the RF constituent entities (*Tab. 4*).

The sixth assessment area, “Budget data openness”, includes indicators that characterize the posting of data on official websites, the timeliness

of reporting to the Ministry of Finance of the RF, and the organization of events aimed at improving citizens’ financial literacy. In our opinion, these indicators do not characterize the quality of regional financial management, but rather the discipline of the authorities in terms of compliance with the requirements established at the federal level in accordance with government programs and projects. Accordingly, these indicators are not applicable to assess the quality of the organization of financial activities of the RF constituent entities.

Table 4. Indicators for assessing the quality of regional financial management in the field “State property management and public services”

No.	Indicators provided by Order 552, dated December 3, 2010	Note
5.1	Share of heads of executive bodies of a constituent entity of the RF, heads of state institutions of a constituent entity of the RF, chief administrators and managers of budget funds of a constituent entity of the RF for whom remuneration is determined based on the results of their achievement of key performance indicators of professional activity	The indicator characterizes the quality of the management organization in the subject of the Russian Federation to a greater extent than the quality of regional financial management
5.2	Share of state institutions of the RF constituent entity that have fulfilled the state task by 100% in the total number of state institutions of the RF constituent entity that have state tasks set	–
5.3	Share of government agencies in a constituent entity of the RF for which quantifiable financial sanctions (fines, withdrawals) have been established for violating the conditions for fulfilling government assignments	–

End of Table 4

No.	Indicators provided by Order 552, dated December 3, 2010	Note
5.4	The effectiveness of managing financial investments carried out at the expense of the budget of a constituent entity of the RF	The methodology takes into account only investments in the form of shares in the authorized (pooled) capitals of business partnerships and companies, in shares owned by a constituent entity of the RF; other types of investments permitted by law are not taken into account
5.6	The ratio of the amount of overdue accounts payable of budgetary and autonomous institutions of the RF constituent entity to the amount of subsidies provided to these institutions from the budget of the RF constituent entity	–
5.8	Efficiency of use by state unitary enterprises of budget funds of the RF constituent entity	–
5.11	Share of autonomous and budgetary institutions of a constituent entity of the RF, for the management of personal accounts of which agreements have been concluded with the territorial body of the Federal Treasury, in the total number of such institutions	The content indicator is not financial
5.12	Share of financial support for a social order from the total volume of financial support for the provision of state (municipal) social services	–
5.13	Share of expenditures of the budgets of the RF constituent entities for the fulfillment of obligations arising from the fulfillment of the concession agreement (in the amount of the concessor's fee, including in the event of its early termination), obligations to legal entities that are parties to public-private partnership agreements, as well as for the payment of lease payments under a financial lease agreement (leasing), in the amount of budget revenues of a constituent entity of the RF, excluding the amount of gratuitous receipts	The indicator is not informative and does not characterize the quality of regional financial management
Source: own compilation.		

The seventh area of assessment, “Indicators characterizing the implementation of the Presidential Decrees”, is also more devoted to analyzing the fulfillment of requirements defined by federal authorities than assessing the quality of regional financial management. In our opinion, the analysis of the implementation of federal projects and programs on the territory of a constituent entity of the RF should undoubtedly be carried out by higher authorities. However, it seems that it should not be integrated with the assessment of the quality

of regional financial management. This may be a separate area of monitoring conducted by the Ministry of Finance of the RF.

Thus, based on the analysis, we can conclude that there are shortcomings in the current methodology for assessing the quality of regional financial management and the need to amend Order 552 of the Ministry of Finance of the RF, dated December 3, 2010 “On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management” (*Tab. 5*).

Table 5. Proposals for making changes to the methodology for assessing the quality of regional financial management

No.	Direction of assessment	Identified shortcomings	Suggestions for making changes to the assessment methodology
1	Budget planning	1) A number of content indicators are not related to the "Budget planning" area; 2) a number of indicators are budgetary practices prescribed by law, are not a violation and, accordingly, do not characterize the quality of regional financial management	1) Exclude from the list of evaluation indicators in this area indicators that do not correspond to the direction of "Budget planning"; 2) exclude from the list of analyzed indicators of parameters characterizing the activities of regional authorities that are not prohibited by law, which is a common budgetary practice
2	Budget execution	1) There is no unified approach to the choice of the object of analysis: the indicators use both data from the consolidated budget of the RF constituent entity and data from the RF constituent entity; 2) not all indicators are suitable for comparative analysis of the RF constituent entities; 3) a number of indicators do not characterize the quality of financial management	1) Use only data from the RF constituent entity as assessment indicators, excluding data from municipalities; 2) use indicators that allow for an objective comparative assessment of regions as assessment indicators
3	Debt management	–	–
4	Financial relations with municipalities	1) A number of indicators do not characterize the quality of regional financial management; they relate to the activities of local governments; 2) a number of content indicators are not financial; 3) a number of indicators are budgetary practices prescribed by law, are not a violation and, accordingly, do not characterize the quality of regional financial management	1) Use the data of the RF constituent entity as assessment indicators without taking into account the data of municipalities; 2) to assess the quality of financial management, use only indicators that characterize the financial activities of the RF constituent entities; 3) exclude from the number of analyzed indicators of parameters characterizing the activities of regional authorities that are not prohibited by law, which is a common budgetary practice
5	Management of State property and provision of public services	1) The assessment of the effectiveness of management of not all types of financial investments of the RF constituent entities is taken into account; 2) a number of content indicators are not financial	1) To supplement the list of indicators for assessing the effectiveness of treasury property management, funds in bank accounts, etc.; 2) to assess the quality of financial management, use only indicators that characterize the financial activities of the RF constituent entities
6	Budget data openness	The indicators do not characterize the quality of regional financial management	Exclude the areas of "Openness of budget data" and "Indicators characterizing the implementation of the Presidential Decrees" from the methodology for assessing the quality of regional financial management
7	Indicators characterizing the implementation of the Presidential Decrees		

Source: own compilation.

Conclusion

The conducted research indicates that the methodology for assessing the quality of regional financial management, approved by Order 552 of the Ministry of Finance of the RF, dated December 3, 2010 "On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management", currently used for comparative

assessment of the RF constituent entities, has a number of disadvantages. In the current methodology, it is the following:

1) there is no unified approach to grouping assessment indicators. The stages of the budget process ("Budget execution"), and part of the stages of the budget process ("Budget planning" as part of budgeting), and the activities of

financial authorities (“Public debt management”, organization of intergovernmental relations), and compliance with the requirements are taken into account as assessment areas. established in government programs and projects (“Openness of data” and “Compliance with decrees of the RF President”);

2) not all of the proposed assessment areas and indicators are financial or truly characterize the quality of financial management (for example, the indicators “Share of municipal districts in the total number of municipal districts and municipal districts”, “Share of deputies working on an unpaid basis”, etc.);

3) indicators used as assessment indicators are common budgetary practices that are not prohibited by law (for example, indicators “The volume of planned budget loans from other budgets of the budgetary system provided as a source of financing the budget deficit of a constituent entity of the RF, with the exception of budget loans to replenish balances on the accounts of budgets of the RF constituent entities”, “The establishment of the state authorities of the RF constituent entities have unified standards for deductions from individual non-tax revenues received by the budgets of the RF constituent entities and local budgets”);

4) a number of indicators relate more to the municipal level; these are mainly indicators in the area of “Financial relations with municipalities”; in our opinion, when assessing the quality of regional financial management, it is necessary to analyze what relates to the activities of the assessment object itself, that is, the RF constituent entity without taking into account the activities of municipalities; in this case, it is not we are talking about excluding indicators that characterize the organization of intergovernmental relations; we are talking about indicators that are not related to the activities of a constituent entity of the RF (for example, the indicator “Share of municipal districts in their

total number, the powers of the administration of settlements – administrative centers of which are executed by the administrations of municipal districts”);

5) there is no unified approach to the selection of indicators. In some cases, data from the budget of a constituent entity of the RF is used for evaluation, in others, from the consolidated budget of a constituent entity of the RF;

6) individual areas of assessment can be expanded with additional indicators, which will allow for a more comprehensive and comprehensive assessment of the quality of financial management (for example, this is relevant for areas such as Budget Execution, State Property Management and public services, etc.);

7) the methodology practically does not take into account the indicators reflecting the financial condition of the RF constituent entities. Indicators of financial independence and budgetary sustainability are important indicators of the effectiveness of financial management in public legal entities. Therefore, the inclusion of such indicators in the assessment system will allow for a more complete and objective assessment of the quality of financial management.

Based on this, it seems to us necessary to amend Order 552 of the Ministry of Finance of the RF, dated December 3, 2010 “On the Procedure for Monitoring and Evaluating the Quality of Regional Financial Management”. In our opinion, it should be the following:

a) to provide a single criterion according to which the areas of quality assessment would be determined, for example, the stages of the budget process or the areas of financial activity of the RF constituent entities, which would systematize the indicators and prevent their duplication;

b) among the indicators, use indicators that characterize the financial activities of the RF constituent entities;

c) to exclude from the number of analyzed indicators of parameters characterizing the activities of regional authorities that are not prohibited by law, which are common budgetary practice;

d) to use indicators characterizing the budgetary indicators of the RF constituent entity without taking into account local budgets in the assessment;

e) to add indicators characterizing the effectiveness of the use of state property and the financial condition of the RF constituent entities.

In our opinion, amendments to Order 552 of the Ministry of Finance of the RF, dated December 3, 2010 will ensure an objective and fair assessment when analyzing the quality of financial management in the RF constituent entities.

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