

CHANGES IN THE REGULATORY BASE OF THE BUDGETARY PROCESS

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In January, the Resolution of the Government of the Russian Federation setting a mandatory provision which government customers must observe in respect of state contracts on the state defense order came into effect. Amendments were introduced into the procedure for development of target programs.

From January 1, 2014, Resolution No.1275 of December 16, 2013 of the Government of the Russian Federation approving the Statute on the Approximate Terms of State Contracts (Contracts) on the State Defense Order came into effect.

The Statute determines the approximate terms of a state contract on the state defense order and contract (agreement) concluded for the purpose of fulfillment of the state defense order for use by government customers of the state defense order, principal contractors of the state defense order and contractors engaged in supply of goods, fulfillment of jobs and rendering of services in respect of the state defense order. The approximate terms of state contracts and contracts on the defense order – which terms are approved by the Act of the Government of the Russian Federation – are to be used by agencies in development of standard state contracts or standard terms of state contracts.

In the Statute on the Terms of State Orders, the following terms of state contracts (contracts) are outlined: the scope, price, a principal contractor's (performer's) rights and obligations which are to be or can be included in state orders (contracts), rights and obligations of a government customer (customer), as well as terms which reflect the specifics of conclusion of individual types of state contracts. In addition to the above, the state contract (contract) include provisions which determine the procedure for utilization thereof, provisions on the parties' responsibilities and a number of other provisions.

In particular, a scope of a state contract (contract) is to be determined by description of goods, jobs and services which constitute the item and (or) items of purchase in accordance with the procedure established by the legislation on the contract system in the sphere of purchasing of goods, jobs and services to ensure state and municipal needs.

Also, the Statute on the Terms of State Orders sets that if in a state contract whose initial (maximum) price exceeds Rb 1bn additional obligations of the principal contractor are to be established.

- to provide a government customer within the required period with the information on its

beneficiaries, sole executive body of the business entity (Director, General Director, Manager, President and other), members of the collective executive body of a business entity and manager (Director and General Director) of the entity or unitary enterprise or other governing bodies of the principal contractor;

- to provide the government customer with the information on all the contractors (third persons) of the state contract (contract) that concluded with the principal contractor (contractor) contracts whose price (total price) amounts to over 10% of the price of the state contract.

By Resolution No.28 of January 15, 2014 of the Government of the Russian Federation, amendments were introduced into the Procedure for Development and Realization of Federal Target Programs and Intergovernmental Target Programs In which the Russian Federation Participates approved by Resolution No. 594 of June 26, 1995 of the Government of the Russian Federation. Amendments were mostly introduced in the third section of the Procedure – Formation of a Target Program.

In particular, the objectives of provision of budget investments in the charter capital of an open-end joint-stock company were specified. For now, such investments are allocated for the purpose of implementation of investment projects on building, modernization, including restoration, technical upgrading of capital development projects owned by such joint-stock companies or purchasing of real property projects in ownership of such joint-stock companies. Earlier, the purposes for which budget investments were allocated into the charter capital of open-end joint-stock companies were rather vague: "for the purposes of implementation of investment projects at capital development projects owned by them".

In addition to the above, further limitation was set on the size of budget allocations on realization of such an investment project: the size cannot be set above 90% and below 5% of the estimate cost of the capital development project.

Also, by amendments to the Procedure new limitations on allocation of budget funds provided within the frameworks of budget investments into the charter capital of an open-end joint-stock company were introduced. The above funds can be used neither on engineering survey and (or) development of project documentation on specified projects, nor on purchasing of land plots for development and carrying out of state due-diligence of the project documentation and the outputs of the engineering survey, verification of the accuracy of the cost estimate of capital development projects, as well as technological and pricing audit of investment projects.

In addition to the above, the procedure was supplemented with the following provisions:

- if a target program provides for provision of subsidies to federal state budget-funded and federal state autonomous entities, federal state unitary enterprises for implementation of investment projects on building and modernization, including restoration, technical upgrading of capital development projects related to the property owned by the Russian Federation or purchasing of real property projects in the ownership of the Russian Federation, the total (maximum) volume of subsidies provided for implementation of an investment project is to be determined by the

Government of the Russian Federation in the statutory act on approval of the target program;

- subsidies provided to entities for implementation of investment projects on building and modernization, including restoration and technical upgrading of capital development projects related to the property owned by the Russian Federation within the frameworks of target programs cannot be used on financing of the development of project documentation, purchasing of the rights to use the standard project documentation the information on which is included in the register of the standard project documentation (as regards residential and administrative buildings, cultural facilities and social amenities), carrying out of engineering surveys made for development of such a project documentation and due-diligence of the accuracy of the cost estimate of capital development projects and building (modernization, including restoration and technical upgrading) which is expected to be carried out with utilization of subsidies granted and fulfillment of technological and pricing audit of investment projects on building (modernization, including restoration and technical upgrading) of capital development projects. ●