



**ASSOCIAÇÃO DE POLITÉCNICOS DO NORTE (APNOR)
INSTITUTO POLITÉCNICO DE BRAGANÇA**

**Budget implementation in the aspect of social welfare: The case
of the Russian Federation and Portugal**

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To obtain the Master Degree in Management, Specialisation in Business
Management

Supervisors:

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Irina Blokhina

Bragança, May, 2019.



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Abstract

A benevolent level of social welfare which appears to be one of the predominant mandates and fundamental functions of any country is in some way dependent on a certain number of factors. In this regard, one of the overriding mechanisms that provide for improvement of life quality is represented by the financial system of the country which, in its turn, is built upon the budget system. The objective of this research lies in the comparative analysis of the state budgets execution effectiveness of the Russian Federation and Portugal in the perspective of the social welfare policy implementation in three-year dynamics – from 2015 to 2017. For the purpose of endorsing a scientific research method, a vertical and horizontal statistical analysis was performed. Aside from that, the indicator method was included. At its core two integral indicators are placed: the index of the public sector performance (PSP) and the index of the public sector efficiency (PSE) which comprise and string the underlying elements of the social welfare and the budget expenditures sections. The research study carried out on the basis of the aforementioned metrics showed that the state budget of Portugal maintains a more socially oriented policy, whereas the state budget of the Russian Federation is noticeably directed to the economic growth accomplishment and national defense stability. The research work has certain distinguishing features of novelty as no similar analysis held upon the comparison of the state expenditures of the Russian Federation and Portugal from the perspective of the social welfare policy implementation has ever been performed. The research results can be used in the future for a more detailed analysis of the state budgets of the Russian Federation and Portugal as well as for the scientific framework of any similar comparative analysis of other countries.

Key words: social welfare, state budget, expenditures effectiveness, the Russian Federation, Portugal, comparative analysis indicators.

Resumo

Um nível satisfatório de bem-estar social, que é uma das tarefas predominantes e uma das funções fundamentais de qualquer país, depende de certo número de fatores. Nesse sentido, um dos mecanismos primordiais que prevê a melhoria da qualidade de vida é representado pelo sistema financeiro do país que, por sua vez, é construído sobre o sistema orçamental. O objetivo deste trabalho de investigação foca-se na análise comparativa da efetividade da execução dos orçamentos estatais da Federação Russa e de Portugal, na perspectiva da implementação da política de bem-estar social, em três anos – de 2015 a 2017. Com o objetivo de seguir um método de pesquisa científica, foi realizada uma análise estatística vertical e horizontal. Além disso, foi incluído um método indicador. Na sua essência, encontram-se dois indicadores: o índice de desempenho do setor público (PSP na versão original) e o índice de eficiência do setor público (PSE na versão original), que compreendem e determinam os elementos subjacentes às seções de previdência social e gastos orçamentais. A investigação realizada com base nas métricas acima mencionadas mostrou que o Orçamento de Estado de Portugal mantém uma política mais orientada para a sociedade, enquanto o Orçamento de Estado da Federação Russa é, visivelmente, direcionado para a realização do crescimento económico e estabilidade da defesa nacional. O trabalho de investigação possui certas características distintivas, uma vez que nenhuma análise similar foi realizada sobre a comparação dos gastos do Estado da Federação Russa e Portugal na perspectiva da implementação da política de bem-estar social que já foi implementada. Os resultados da investigação podem ser utilizados, no futuro, para uma análise mais detalhada dos orçamentos estatais da Federação Russa e de Portugal, servindo como base para a difusão do conhecimento científico de qualquer análise comparativa similar de outros países.

Palavras-chave: bem-estar social, orçamento do estado, eficácia da despesa, Federação Russa, Portugal, indicadores de análise comparativa.

Введение

Обеспечение высокого уровня общественного благосостояния любой страны, будучи одной из приоритетных задач государства, а также его непосредственной функцией, находится в определённой зависимости от множества факторов, оказывающих на его рост косвенное и прямое влияние. В этой связи, одним из основных механизмов, позволяющих государству повышать качество жизни населения, выступает финансовая система страны, основой которой является бюджетная система, состоящая из ряда централизованных фондов финансовых ресурсов – бюджетов. Целью данного исследования является сравнительный анализ эффективности исполнения государственных бюджетов Российской Федерации и Португалии, с точки зрения реализации политики общественного благосостояния в динамике за три года – с 2015 по 2017. Проведенное научное исследование показало, что государственный бюджет Португалии, с точки зрения реализации концепции общественного благосостояния, имеет более социально ориентированный характер, в то время как бюджет Российской Федерации в большей степени нацелен на достижение экономического роста и обеспечение высокого уровня национальной безопасности. Кроме того, государственный бюджет Португалии отличается немного большей степенью эффективности с точки зрения обеспечения роста общественного благосостояния. Научно-исследовательская работа отличается новизной, так как ранее не проводились аналогичные исследования по отдельному сравнению государственных расходов Российской Федерации и Португалии с точки зрения реализации политики общественного благосостояния. Результаты исследования могут быть в дальнейшем использованы как в качестве базы для сравнительного анализа других стран, а также для более детального исследования государственных бюджетов Российской Федерации и Португалии.

Ключевые слова: общественное благосостояние, государственный бюджет, эффективность расходов, Российская Федерация, Португалия, сравнительный анализ.

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Acronyms

RF – The Russian Federation

GDP – Gross domestic product

PSP – Public Sector Performance

PSE – Public Sector Efficiency

Table of Contents

List of Figures	vii
List of Tables	viii
Introduction.....	1
1. Literature review on budget and budget systems.....	3
1.1. Definition of budget	3
1.2. The budget system of the Russian Federation.....	4
1.2.1. Modern budget system of the Russian Federation	4
1.2.2. Revenues and expenditures of the state budget of the Russian Federation and its balance: the case of social welfare.....	8
1.3. The budget system of Portugal.....	14
1.3.1. Modern budget system of Portugal	14
1.3.2. Revenues and expenditures of the state budget of Portugal and its balance: the case of social welfare.....	17
2. Research Methodology	21
2.1. Objective of the study and Research Hypotheses.....	21
2.2. Description of Data Collection	22
2.3. Description of Data Analysis.....	22
3. Comparative analysis of the implementation of the social policy through the state budgets in the Russian Federation and Portugal	26
3.1. Comparative analysis of the revenues of the state budgets of the Russian Federation and Portugal.....	26
3.2. Comparative analysis of the expenditures of the state budgets of the Russian Federation and Portugal from the aspect of social welfare and its balance.	32
Conclusions, Limitations and Future Research Lines.....	43
References	45
Appendix	48

List of Figures

Figure 1. The structure of the budget system of the Russian Federation.....	5
Figure 2. The structure of the budget system of Portugal.....	15

List of Tables

Table 1. The budget process in the Russian Federation and its participants.	6
Table 2. Interbudgetary transfers in the Russian Federation.	7
Table 3. Approaches to the definition of social welfare.....	9
Table 4. State programs of the Russian Federation.....	13
Table 5. The structure of revenues of the state budget of the Russian Federation.	27
Table 6. The structure of tax revenues of the state budget of the Russian Federation.....	27
Table 7. The structure of non-tax revenues of the state budget of the Russian Federation.....	28
Table 8. The structure of granted tax credits revenues of the state budget of the Russian Federation.	29
Table 9. The structure of revenues of the state budget of Portugal.	29
Table 10. The structure of tax revenues of the state budget of Portugal.....	30
Table 11. The structure of non-tax revenues of the state budget of Portugal.....	31
Table 12. Share of the revenues of the state budgets of the Russian Federation and Portugal in GDP.	31
Table 13. The structure of expenditures of the state budget of the Russian Federation.....	33
Table 14. The structure of expenditures of the state budget of Portugal.....	34
Table 15. The dynamic of population in the Russian Federation and Portugal.....	35
Table 16. The expenditures share of the state budget of the Russian Federation calculated <i>per capita</i> of the country.....	36
Table 17. The expenditures share of the state budget of Portugal calculated <i>per capita</i> of the country.	37
Table 18. Public sector performance indicators of the Russian Federation and Portugal.....	39
Table 19. Public sector efficiency indicators of the Russian Federation and Portugal.....	39
Table 20. The deficit of the state budget of the Russian Federation.....	41
Table 21. The deficit of the state budget of Portugal.....	41
Table 22. The deficit share of the state budgets of the Russian Federation and Portugal.....	42

Introduction

One of the predominant objectives of the current budget policy of any state lies in the perpetual improvement of the budget system, its core elements, and national life quality stimulation maintenance, in other words, social welfare growth. This function is performed through various types of budget mechanisms oriented towards the social policy of the state, its educational and health care systems, social infrastructure quality, and other fields of financing that influence the social welfare level both directly and indirectly.

The fundament for a successful attainment of the aforementioned objectives is based upon economic growth that allows to create new labor offers, regulate the balance of the financial resources allocation among various levels of the budget system, and minimize the risks related to the inflation rate. Dwelling on that, it is of importance to point out that the tendency of the dependence of the social welfare growth on economic ratios of the state takes a ring shape. It comes out of the fact that the level of the social sphere development, in its turn, by having a great impact on the formation of a resident as a socially active worker and, consequently, their productivity level, appears to be the core value of economic growth. Therefore, the social and economic spheres of the state are closely interrelated, and represent both the reason and the consequence in relation to each other, by creating a regulatory subject of the state.

Aside from that, it is worth mentioning that the budget policy and financing of the principle elements of social welfare depends directly on the political side of the state. Such factors as the governmental form, the inter-budgetary regulation, the legislation of the state play an integral role in the vector of the development of the society. The political system of the country determines the financing structure of the crucial lines of the state activity by outlining the most significant items of expenditures and their overall value. In this regard, the social welfare of a given country depends not only on its economic activities but also on its political image.

As far as it goes, the objective of this research lies in the comparative analysis of the budget execution effectiveness of the Russian Federation and Portugal – the countries with different economic and political conditions – in terms of the social welfare policy implementation in three-year dynamics – from 2015 to 2017.

For the purpose of endorsing a scientific research method, a vertical and horizontal statistical analysis was performed, which allowed to scrutinize the state budget expenditures of the countries under review from the perspective of their structure and dynamics. Another method was also used to identify the expenditures share in the GDP of the two countries. Aside from that, the indicator method introduced by the Portuguese scholars Afonso, Schuknecht and Tanzi was included in the research to estimate the effectiveness and to obtain the opportunity to compare the budget execution performance of the Russian Federation and Portugal from the point of view of social welfare growth.

At its core two integral indicators are placed: the index of the public sector performance (PSP) and the index of the public sector efficiency (PSE) which comprise and string the underlying elements of social welfare and the budget expenditures sections of the analyzed countries related to them.

The structure of this work is divided in three chapters. The first is dedicated to the literature review of the topic of the state budget on the whole and the budget systems of the Russian Federation and Portugal in particular. This review of the budget systems of the countries includes the analysis of the main traits of the modern budget systems and their expenditures part. The second chapter comprises the methodology of the research which was applied in the empirical part of this work. The third chapter contains the main calculations on the discussed topic and is divided into two sections: the first describes the state budget revenues of the Russian Federation and Portugal, and the second – the expenditures and the budget balance.

1. Literature review of the budget and the budget systems

1.1. Definition of the budget

One of the main mechanisms that allows the state to pursue economic and social policies is the country's financial system, the fundamental element of which is the budget system that comprises a number of centralized state funds – budgets (Komyagin, 2017).

In terms of etymology, the word "budget" comes from the Latin word "bulga" in the sense of "small bag" or "wallet". The source of its origin can also be the Irish word "bolg" in the meaning of "bag" or the French "bouge" – a leather bag ("Budget", 2019). However, in different historical periods, the use of the word "budget" expanded due to the transfer of its meaning from the expression of form to the content (Komyagin, 2017).

Nowadays, one can encounter a variety of approaches to the definition of the budget. According to Downes, Moretti and Nicol (2017, p. 1) budget "is the key pillar of policy development and accountability in any country or region". Russian political scientist Piskotin (1971) emphasized the ambiguity of the budget, and noted that there are at least two meanings in which the term "budget" is used: as a financial plan of a state when it comes to making up, adopting and executing a budget, and as a state fund that covers public expenditures. Morozova (2012) characterized budget as the main instrument for implementing the state's social and economic policy: budget is the lever by which a government influences the entire process of production and distribution of financial and production resources in the country. Litvinenko and Samoylova (2018) defined budget as the scheme of state revenues and expenditures established for a certain period of time. According to Komyagin (2017), budget is a material and abstract concept at the same time: budget is the result of human creativity in the social and economic spheres, that is, it originated and develops as an abstract category, while its existence is associated exclusively with legal norms.

According to Article 9 of Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015) of Portugal, budget is "unitary and shall encompass all the revenues and expenditures of the entities that constitute the central administration and social security subsectors".

According to Article 6 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), budget is a form of education and expenditure of funds intended for the financial support of the tasks and functions of the state and local self-government.

Considering different approaches to the definition of the essence of budget, three aspects should be considered: material, economic and legal. According to Komyagin (2017) in the material aspect, the budget plays the role of a fund, which is under the jurisdiction of the state and its public legal entities. Litvinenko and Samoylova (2018), while considering budget as an economic category, define it as a set of economic relations arising in the process of creating, distributing and using the state centralized fund. From the point of view of Morozova (2012), budget in the legal aspect is a law developed by an executive body of a state or municipal authority in accordance with applicable legislation, reviewed and approved by a representative body of the authorities, and approved and signed by the head of the state or the municipality.

By possessing certain autonomy the budget, in its turn, represents a central and integral link of the state budget system chain which is structurally defined by the degree of distribution of authority among the government bodies of various levels to the financial resources concentration and allocation respectively (Dement'ev, 2017). From this perspective, the states and their budget systems can be divided into two types: federal and unitary, which will be considered in next sections of the research based on the examples of the Russian Federation and Portugal.

1.2. The budget system of the Russian Federation

1.2.1. Modern budget system of the Russian Federation

The country's budget system is a complex mechanism that characterizes the peculiarities of the relationship between the state and local authorities. The structure of the budget system reflects the economic state of the country at a particular stage of its development and depends on its state structure (Komyagin, 2017).

The Russian Federation, according to the Constitution of the Russian Federation (1993), is a democratic federal law-based state with a republican form of government. The federal structure is based on state integrity, unity of the state power system, delimitation of competences and powers between the state authorities of the Russian Federation and the state authorities of the entities of the Federation, equality and self-determination of peoples in the Russian Federation. Currently, the country consists of 85 regions – entities of the Russian Federation, including 22 republics, 9 territories, 46 regions, 3 cities of federal significance, 1 autonomous region, 4 autonomous districts. All this indicates that the modern budget system in the Russian Federation is based on the principles of administrative-territorial division (Dement'ev, 2017).

The budget system of the Russian Federation, according to Article 6 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), which is the main legal act that regulates the budget system of the country, is based on the economic relations and state structure of the Russian

Federation governed by the legislation of the Russian Federation, the aggregate of the state budget, the budgets of the entities of the Russian Federation, local budgets and state extrabudgetary funds.

The budget system of Russia is implemented on the basis of budget legislation, which consists in Budget Code and federal laws adopted in accordance with it and has a three-level structure (Figure 1), based on the following principles: (i) “unity of the budget system of Russia; (ii) the division of revenues, expenditures and sources of budget deficits financing among the budgets of the budget system of the Russian Federation; (iii) autonomy of the budgets; (iv) equality of budgetary rights of entities of the Russian Federation, municipalities; (v) full accountability of revenues, expenditures and sources of budget deficits financing; (vi) budgetary balance; (vii) efficient use of the budgetary funds; (viii) total (cumulative) budgeting; (ix) transparency (openness); (x) budget credibility; (xi) targeting and targeted nature of the budget; (xii) jurisdiction of budget expenditures; (xiii) unity of cash” (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

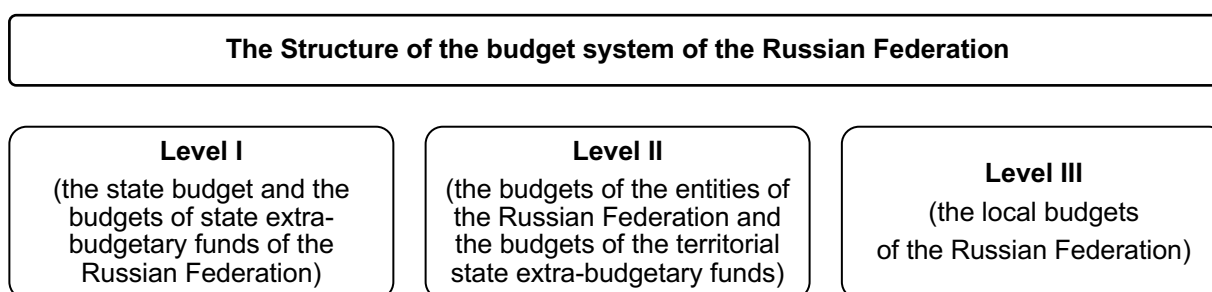


Figure 1. The structure of the budget system of the Russian Federation.

Source: Author's own elaboration on the base of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998).

The budget legislation of the Russian Federation also provides for a consolidated budget, that is, a set of budgets of the budget system in the relevant territory (with the exception of the budgets of state extra-budgetary funds). The draft state budget is composed for a period of three years – the next financial year and the planning period. Draft budgets at the local level are prepared and approved for a period of one year (for the next fiscal year) or for a period of three years. The financial year in Russia corresponds to the calendar year and lasts from January, 1 to December, 31 (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

The state budget and the budgets of state extra-budgetary funds are developed and approved in the form of federal laws. The budgets of the entities of the Russian Federation and the budgets of the territorial state extra-budgetary funds are composed in the form of laws of the entities of the Russian Federation. Local budgets are developed and approved in the form of legal acts of representative bodies of local self-government (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998). Currently, the Russian Federation is implementing the Federal Law “On the State Budget for 2019 and for the Planning Period of 2020 and 2021”, adopted by the Decree of the Government of the Russian Federation.

The budgets of each level go through four main stages of the budget process, throughout which the budget moves from one quality state to another, and upon their completion, the budget cycle ends (Table 1) (Komyagin, 2017). The budget process, according to Article 6 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), is the activity of state authorities, local governments and other participants in drafting and reviewing draft budgets, approving and executing budgets, monitoring their execution, implementing budget accounting, drafting, external verification, review and approval of budget reporting.

Table 1. The budget process in the Russian Federation and its participants.

Stage	The participants of the budget process in terms of the budget system of the Russian Federation			
	I level	II level	III level	
Drafting	The Government	The highest executive bodies of the state power of the entities of the Russian Federation	The highest executive bodies of the state power of the local administrations of the municipality of the Russian Federation	
	1. The State Duma of the Federal Assembly of the Russian Federation 2. The Council of Federation of the Federal Assembly of the Russian Federation 3. President of the Russian Federation	The highest legislative (representative) bodies of the state power of the entities of the Russian Federation	The highest legislative (representative) bodies of the state power of the local administrations of the municipality of the Russian Federation	
Budget execution	Budget execution by revenues	Chief Administrators of the state budget of the Russian Federation	Chief Administrators of the budgets of the entities of the Russian Federation	
	Budget execution by expenditures	Chief Managers of the state budget of the Russian Federation	Chief Managers of the local budgets of the Russian Federation	
	Budget cash services	The Central Bank of the Russian Federation		
	Accounting of operations on cash execution of the budget	The Federal Treasury	The departments of the Federal Treasury by entities of the Russian Federation	
Monitoring and report	Budget execution control	The Accounting Chamber of the Russian Federation	The control-accounting bodies of the entities of the Russian Federation	The control-accounting bodies of the municipality of the Russian Federation

Source: Author's own elaboration on the base of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998).

The interaction between the parts of the three-tier budget system of the Russian Federation is based on interbudgetary relations, which, according to Article 6 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), represent the relationship between public legal entities on the regulation of budgetary legal relations, organization and implementation of the budget process. The key role of intergovernmental relations is the formation, distribution, redistribution and regulation of budgetary powers and sources of their support (Pechenskaya & Uskova, 2016). Intergovernmental relations provide financial management of territorial development, stimulating the growth of tax potential, reducing the risks of underfunding key budget services at the local level (Moskovtsev, 2018). Intergovernmental relations are a controllable system and an object managed by the state (Pechenskaya & Uskova, 2016). Intergovernmental regulation in the Russian Federation is carried out by vertical and horizontal alignment: the budget system is considered vertically balanced, in the case that there is a clear division of responsibilities between all levels of the government and the endowment of their income, sufficient to perform the assigned duties. Horizontal balance refers to the equalization of the level of consumption of public services in various regions (Rengold, 2016).

The main instruments of intergovernmental regulation in the Russian Federation represent the established standards for tax deductions to local budgets, as well as intergovernmental transfers (Pechenskaya & Uskova, 2016). Intergovernmental transfers are funds provided by one budget of the budget system of the Russian Federation to another budget (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998). Interbudgetary transfers can be charged from the state, regional, local budgets of the Russian Federation, as well as from the state budget to the budgets of state extra-budgetary funds (Moskovtsev, 2018). The Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998) defines the following forms of intergovernmental transfers: grants, subsidies, subventions and other intergovernmental transfers – which differ in the purpose and conditions of provision (Table 2).

Table 2. Intergovernmental transfers in the Russian Federation.

Indicator	Form of intergovernmental transfers		
	Grants	Subsidies	Subventions
Focus	Do not have a focus	Have a focus	Have a strict focus
Implementation period	The term of use is not limited	The term of use is limited	The term of use is strictly limited
Return	Non-repayable and non-refundable basis	Non-repayable but refund is possible	Subject to mandatory refund at the end of the period of use or misuse
Funds recipients	Budgets of all levels	Budgets of inferior levels	Budgets of inferior levels
Co-financing	Direct and equity financing	Equity financing only	Direct and equity financing
Control over the effective use of funds	Negative	Positive	Positive

Source: Author's own elaboration on the base of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998).

Grants are intergovernmental transfers provided on a non-repayable and non-refundable basis without establishing directions for their use. Subsidies are intergovernmental transfers provided for the purpose of co-financing expenditure commitments arising from the performance of the powers of public authorities. Subventions are intergovernmental transfers provided to the budgets of the constituent entities of the Russian Federation for the purpose of financially securing expenditure commitments. Intergovernmental transfers are provided subject to compliance by state authorities with the budget legislation of the Russian Federation and the legislation of the Russian Federation on taxes and fees (Budget Code of the Russian Federation of 31.07.1998 №145-FZ,1998).

It should also be noted that financial assistance to the budgets of the Russian Federation is provided through budget loans that are not related to transfers but play a significant role in the intergovernmental relations (Pechenskaya & Uskova, 2016).

Thus, the modern budget system of Russia is a three-tier set of budgets based on economic relations and state structure: state, regional and local – based on thirteen basic principles. The draft state budget, as well as the budget of a constituent entity of the Russian Federation, is composed for a period of three years – the next financial year and the planning period. Draft budgets at the local level are prepared and approved for a period of one year or for a period of three years. The financial year in Russia corresponds to the calendar year and lasts from January, 1 to December, 31. The state budget and the budgets of state extra-budgetary funds are developed and approved in the form of federal laws. The budgets of the entities of the Russian Federation and the budgets of the territorial state extra-budgetary funds are established in the form of laws of the entities of the Russian Federation. Local budgets are developed and approved in the form of legal acts of representative bodies of local self-government. Currently, the Russian Federation is implementing the Federal Law “On the state budget for 2019 and for the planned period of 2020 and 2021”, adopted by the Decree of the Government of the Russian Federation. The budgets of each level go through four main stages of the budget process, throughout which the budget passes from one qualitative state to another, and upon their completion, the budget cycle ends. The budgets of the three levels are connected by interbudgetary relations based on thirteen basic principles. Intergovernmental relations provide financial management of territorial development, stimulate the growth of tax potential, reduce the risk of underfunding of key budget services at the local level. Intergovernmental regulation in the Russian Federation is carried out by vertical and horizontal alignment, one of the main tools of which are intergovernmental transfers: grants, subsidies, subventions. Interbudgetary transfers, in turn, comprise the sources of income and articles of budgets expenditures, the classification of which we will consider in detail in the next subsection, as well as analyze how the funds of the state budget are implemented to achieve social welfare growth.

1.2.2. Revenues and expenditures of the state budget of the Russian Federation and its balance: the case of social welfare

As noted in the previous subsections of the work, the budgets of public legal entities are necessary, first of all, for the implementation of the functions and tasks of the state. The concept of “public goods”

was fundamental for understanding the functions of the state and the national economic system. In the works of ancient Greek thinkers, one can find the beginning of the theory of public sector economics. Thus, in the work “The State” Plato describes the “ideal state” in which the idea of the public good is most valuable, and at the same time orders are based on justice, which ensure the well-being of a person and society as a whole (Morozova, 2012). The concept of social welfare was first formulated in the XVIII century by Smith, one of the founders of the classical economic theory, who noted that the level of social welfare depends on the level of labour productivity and is proportional to the needs of the population (Komyagin, 2017). Subsequently, the definition of public welfare was modified depending on the emergence of new economic schools and, accordingly, new approaches (Table 3).

Table 3. Approaches to the definition of social welfare.

Economic Approach	Adherent Economists	Definition of social welfare
Classical	A. Smith D. Ricard D. Mill	Social welfare, first of all, is national income.
Neo-Classical	A. Marshall A. Pigu G. Sedgwick	Social welfare is only a means used to maintain a person’s life, to satisfy their needs and develop their abilities and qualities: physical, intellectual and moral.
Utilitarian	V. Pareto J. Hicks A. Bergson P. Samuelson K. Arrow I. Bentham L. Nash J. Rawls	Social welfare is the welfare of individual members of society.
Institutional	K. Wicksell J. Stigler J. Buchanan	Social welfare, achieved through ethical categories, is a combination of the rational, egoistic maximizer of the welfare of each individual.
Social	R. Stolzmann R. Stammmler O. Shpann	Social welfare is a combination of non-economic factors that are fundamental for socio-economic development and progress.

Source: Author’s own elaboration based of Averkieva (2014), Efimova (2015), Komyagin (2017), and Mathieu and Sterdyniak (2008).

The concept of social welfare was also considered by modern scientists. Thus, Brusova and Achylov (2014) defined social welfare as an economic category that includes the sum of political, economic and social factors that accelerate growth level and quality of life of the population. Komyagin (2017) asserted that social welfare is the degree to which people are provided with material and spiritual goods, services and appropriate living conditions necessary for their comfortable and safe existence.

Efimova (2015) defined social welfare as a measure of the provision of people with life benefits and means of subsistence. At present, public goods comprise education, health care, social security, economic regulation, guarantees of security, protection of public interests, civil rights and freedoms, that is, services and functions that cannot be provided by the market and are paid for by each individual citizen. That is, the society actually “acquires” these benefits from the state (public legal entities) for funds that form budgets in the form of taxes and other payments. The state budget is the seminal link in the budget system of the Russian Federation. It concentrates more than half of the financial resources of the consolidated budget of the country, which are designed to improve social welfare, and, consequently, living standard of the population (Afanasyev, Belenchuk, & Krivogov, 2016).

In modern conditions, ensuring the sustainability of the budget system of the Russian Federation largely depends on the stability of the revenue side and the effectiveness of the budget expenditures. Budget revenues, according to Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), are funds that go to the budget, with the exception of funds that are sources of the budget deficit financing in accordance with this Code. Budget expenditures are money paid from the budget, with the exception of funds that are sources of the budget deficit financing. In order to achieve the integrity of budgetary categories of revenues and expenditures, as well as to ensure their relationship between functional purpose and economic nature, the Ministry of Finance of the Russian Federation approves the budget classification (Afanasyev, Belenchuk, & Krivogov, 2016).

The budget classification of the Russian Federation is a grouping of revenues, expenditures and sources of financing budget deficits of the budget system of the Russian Federation, used to compile and execute budgets, as well as grouping revenues, expenditures and sources of financing budget deficits and operations of the general government used for budget accounting, compilation of budget and other financial statements, ensuring the comparability of budget indicators of the budget system of the Russian Federation (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998). The main task of budget classification is to ensure the comparability of indicators of various budgets, comparing them over the years, identifying the dynamics, trends, and the possibility of organizing effective and clear budget planning (Afanasyev, Belenchuk, & Krivogov, 2016).

According to Article 19 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), the budget classification includes the classification of revenues, the classification of expenditures, the classification of sources of financing budget deficits, the classification of operations of public legal entities. Every year the Ministry of Finance of the Russian Federation approves instructions on the procedure for applying the budget classification of the Russian Federation for the next fiscal year and planning period: determines the principles of appointment, structure, procedure for the formation and application of the budget classification codes of the Russian Federation. In the course of reforming budget classification, a specific 20-digit classification code was developed to unify the budget process and integrate budget classification with the plan of budget accounting, according to which revenues, expenditures and sources of financing budget deficits of all budget system levels are reflected (Afanasyev, Belenchuk, & Krivogov, 2016).

According to Article 20 of Budget Code of the Russian Federation of 31.07.1998 №145-FZ (1998), the classification of state budget revenues involves the division of income into three groups: tax, non-tax and granted tax credits.

Tax revenues of the state budget of the Russian Federation are revenues from taxes and duties on state taxes and fees provided for by the legislation of the Russian Federation, including taxes provided for by special tax regimes, regional and local taxes, fines and penalties thereto (Единый портал бюджетной системы Российской Федерации, 2019).

Tax revenues include: (i) taxes on profits; (ii) taxes on goods (works, services) sold in the territory of the Russian Federation; (iii) taxes on goods imported into the country; (iv) taxes, fees and regular payments for the use of natural resources; (v) state duty; (vi) other tax revenues (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

Non-tax revenues of the state budget of the Russian Federation are payments that are classified according to the nature of their receipt in the budget and include compensated operations from the direct provision of various types of services by the state, as well as some non-repayable payments in the form of fines or other sanctions for violation of the law (Единый портал бюджетной системы Российской Федерации, 2019).

Non-tax revenues include: (i) income from foreign economic activity; (ii) income from the use of property in state and municipal ownership; (iii) payments when using natural resources; (iv) income from the provision of paid services and compensation of state expenses; (v) income from the sale of tangible and intangible assets; (vi) fines, sanctions, damages; (vii) other non-tax revenues; (viii) other not classified (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

Granted tax credits in the state budget of the Russian Federation are funds that come to the budget on a non-repayable and non-refundable basis in the form of grants, subsidies, subventions from other budgets of the budget system of the Russian Federation, as well as revenues of the budgets of the budget system of the Russian Federation from the return of the remnants of subsidies, subventions and other intergovernmental transfers with a designated purpose of past years (Единый портал бюджетной системы Российской Федерации, 2019).

Granted tax credits include: (i) granted tax credits from other budgets of the budget system of the Russian Federation; (ii) granted tax credits from state (municipal) organizations; (iii) other granted tax credits; (iv) budget revenues of the budget system of the Russian Federation from the return of the remnants of subsidies, subventions and other intergovernmental transfers that have a designated purpose from previous years; (v) other.

The classification of the state budget expenditures involves the division of expenses into the following groups: (i) general public services; (ii) national defense; (iii) public order and safety; (iv) national economy; (v) housing and collective services; (vi) environmental preservation; (vii) education; (viii) culture and cinematography; (ix) health; (x) social services; (xi) sport; (xii) mass media; (xiii) public debt operations; (xiv) transfers within the general government (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

When planning revenues and expenditures of the state budget, it is important that the principle of its balance is respected (Dement'ev, 2017). According to Единый портал бюджетной системы Российской Федерации (2019), the balance of the budget is dwelt on "the need to achieve equal budget expenditures of any level of the budget system to the total amount of budget revenues and revenues from deficit financing sources reduced by the amount of payments from the budget related to sources of financing of the budget deficit on accounts of budget funds". The imbalance of the state budget can manifest itself as a surplus and as a deficit (Afanasyev, Belenchuk, & Krivogov, 2016). The budget surplus is the excess of budget revenues over its expenditures. The budget deficit is the excess of budget expenditures over its revenues (Единый портал бюджетной системы Российской Федерации, 2019). The state budget deficit is approved by the federal law on the state budget for the next fiscal year and the planning period and is defined as the difference between the total expenditure and the total state budget revenues for the next fiscal year and the planning period (Budget Code of the Russian Federation of 31.07.1998 №145-FZ, 1998).

The budget deficit is financed by certain sources of financing the budget deficit, which are funds attracted to the budget to cover the deficit, including the difference between the funds received and repaid for bank loans, loans from other levels of budgets, loans from financial international organizations, securities and other sources. The sources of financing the deficit are divided into internal and external ones (Afanasyev, Belenchuk, & Krivogov, 2016). Internal sources are funds attracted to the budget to cover the deficit, expressed in the Russian rubles: governmental securities and budget loans, the nominal value of which is specified in the currency of the Russian Federation, exchange rate differences, other sources of internal financing of budget deficits, other domestic sources of financing of the budget deficit. External sources are funds attracted to the budget to cover the deficit expressed in foreign currency: governmental securities, the nominal value of which is indicated in foreign currency, loans from foreign countries, state financial and state export loans (Единый портал бюджетной системы Российской Федерации, 2019). Also, when balancing the budget, changes in the balance of funds are used – these are the resources formed in the budget account at the beginning of a new fiscal year (Komyagin, 2017). Balanced budget, in turn, is a fundamental basis for implementing an effective socio-economic policy of the state, raising the standard of living of the population, and stimulating the growth of the social and economic spheres – that is, to ensure social welfare (Averkiewa, 2014).

Considering the budget system of the Russian Federation from the point of view of implementing the concept of social welfare, it is worth noting that it is implemented through the main items of budget expenditures that were listed above, as well as through state programs (Brusova & Achylov, 2014). The state program is a strategic planning document which contains a set of planned activities that are interconnected in terms of objectives, implementation periods, performers and resources, and public policy instruments that ensure the achievement of government policy priorities and objectives in the field of socio-economic development and national security of the Russian Federation. Five main directions of state programs are implemented in the Russian Federation (Table 4) (Портал государственных программ Российской Федерации, 2019).

Table 4. State programs of the Russian Federation.

The state program	Content
A new quality of life	Within this area, the availability of educational and health services of the required quality, the necessary level of housing, access to cultural goods, and the conditions that allow citizens to regularly engage in physical culture and sports are ensured.
Innovative development and modernization of the economy	In this area, measures that allow the Russian economy to maintain positions in the energy sector, the extraction and processing of raw materials, as well as create a competitive economy of knowledge and high technology are implemented. In addition, within the framework of this program, Russia strengthens its position in integration processes in the Eurasian space, maintaining balanced multi-vector economic relations with European, Asian, American and African economic partners.
National security	In the area of the implementation of the national security policy, a high level of state security and defense capability of the country is maintained. A high level of combat readiness of the Armed Forces of the Russian Federation is achieved, which makes it possible to effectively implement the policy of deterrence, based on the economic and social development of the state's military organization.
Balanced development of the regions	Within this area, a balanced territorial development of the Russian Federation is provided, focused on ensuring conditions allowing each region to have the necessary and sufficient resources to ensure decent living conditions for citizens, integrated development and competitiveness of the regional economies, and the development of geopolitically important territories.
An effective state	In this area, the efficiency of state property and public finance management, as well as the stability of the financial and insurance markets, are developed.

Source: Author's own elaboration on the base of Портал государственных программ Российской Федерации (2019).

Summing up the section, it was noted that the stability of the budget system of the Russian Federation depends largely on the stability of the revenues side and the effectiveness of the expenditures side of the budgets. In order to ensure the comparability of indicators of various budgets, by juxtaposing them over the years, identifying the dynamics and trends, as well as the possibility of organizing effective and clear budget planning, the Ministry of Finance of the Russian Federation approves the budget classification. According to the budget classification, revenues of the state budget are divided into tax, non-tax and granted tax credits, expenditures of the state budget are classified by branches of the economy. When planning revenues and expenditures of the

state budget, the principle of its balance must be observed, that is, equality of budget expenditures of any level of the budget system to the total budget revenues and revenues from the deficit financing sources reduced by the amount of payments from the budget related to the sources of financing the budget deficit and changes in balances of the accounts to the account of the budget funds. The imbalance of the state budget can manifest itself as a surplus and as a deficit. The balanced budget, in turn, is the fundamental basis for implementing an effective social and economic policy of the state, raising the standard of living of the population, and stimulating the growth of the development of the social and economic spheres – that is, to ensure public welfare. It represents the degree to which people are provided with material and spiritual goods, services and appropriate living conditions necessary for their comfortable and safe existence. Considering the budget system of the Russian Federation from the point of view of implementing the concept of social welfare, it is worth noting that it is implemented through the main items of budget expenditures that were listed above, as well as through state programs. During the analyzed period, that is, from 2015 to 2017, in the Russian Federation, 5 main areas of state programs are being implemented: a new quality of life, innovative development and modernization of the economy, national security, balanced regional development and an effective state. Thus, the state budget expenditures are aimed at improving the quality of life of the population, as well as ensuring the growth of public welfare.

Summing up the first section, it is worth noting that in the course of work on its content, a retrospective study of the budget system of the Russian Federation was carried out, and also its structure at the present stage was studied. In addition, literature review of the main categories relevant to the research topic, domestic and Portuguese authors, as well as the main legal acts of the budget legislation of the Russian Federation was made.

In the next section, the budget system of Portugal will be analyzed: the history of its formation, the modern structure, as well as the system of distribution of revenues and expenditures of the budget from the point of view of ensuring public welfare. It should be noted that the state structure of the countries studied is radically different: in Russia, it is federal, in Portugal it is unitary. This factor will allow to compare in the future the budget systems of the two countries not only in terms of social policy implementation and ensuring the growth of public welfare through budget mechanisms but also in order to trace differences in the budget systems of the countries with different political conditions.

1.3. The budget system of Portugal

1.3.1. Modern budget system of Portugal

Portugal, according to Constitution of the Portuguese Republic (1976), – is a democratic state based on the rule of law, the sovereignty of the people, plural democratic expression and political organization, respect for and the guarantee of the effective implementation of the fundamental rights and freedoms, and the separation and interdependence of powers, with a view to achieving economic, social and cultural democracy and deepening participatory democracy. The state is

unitary and the way in which it is organized and functions shall respect the autonomous island system of self-government and the principles of subsidiarity, the autonomy of local authorities and the democratic decentralization of the Public Administration. Portugal comprises the territory on the European mainland that is historically defined as Portuguese and the Azores and Madeira archipelagoes, that are autonomous regions with their own political and administrative statutes and self-government institutions.

According to the main law governing the budget system of Portugal – Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015) – the state budget should be unitary and should encompass all the revenues and expenditures of the entities that constitute the central administration and social security subsectors and based on the following eleven budget principles: (i) unity and universality; (ii) budgetary stability; (iii) sustainability of public finances; (iv) reciprocal solidarity; (v) intergenerational equity; (vi) annual and multiannual nature; (vii) no offsetting; (viii) no consignment; (ix) specification; (x) economy, efficiency and efficacy; (xi) budgetary transparency.

The state budget of Portugal is the core of the country's two-tier budget system, which also includes the social security budget, services and autonomous funds (Figure 2). The budget system of the country also includes the budgets of the municipalities – the second level of the budget system – and the budgets of the autonomous regions of the country: the Azores and Madeira archipelagoes, which, in turn, are divided into the regional budget and the budgets of the municipalities.

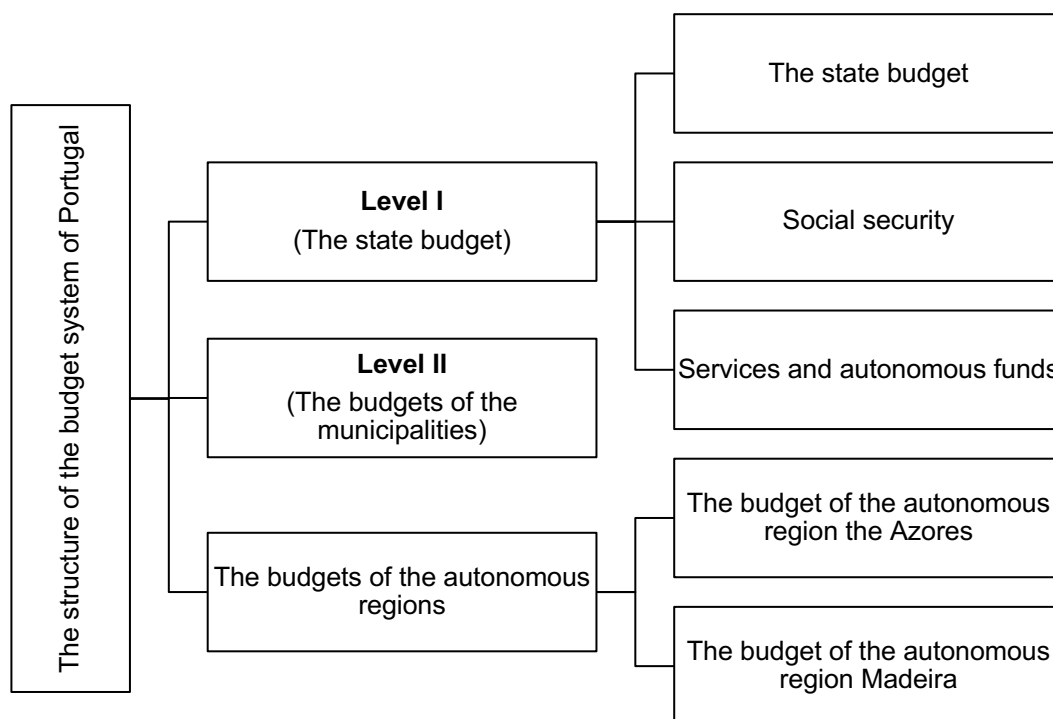


Figure 2. The structure of the budget system of Portugal.

Source: Author's own elaboration on the base of Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015).

The interaction between all parts of the budget system of Portugal is based on the observance of the principles of fiscal stability and mutual solidarity. In this regard, according to Article 30 of Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015), the state may require transfers that would result from application of the financing laws especially subsumed to the regional and local administration subsectors, without prejudice to the commitments which the state has made within the ambit of the solidarity and social security system. One of the financial instruments is the budget transfers, which, in turn, are divided into transfers to autonomous regions and transfers to municipalities. According to the Glossary on the portal of the Portuguese Public Finance Council (2019), transfers to the autonomous regions of the country are the financial resources to be transferred to each of the autonomous regions, which are annually included in the Law of the state budget in order to comply with the principle of solidarity, and administrative statutes of the regions. Transfers to the municipalities of Portugal are financial transfers that are annually fixed in the Law of the state budget in order to facilitate the distribution of public resources between the state and local governments, as well as to achieve horizontal and vertical financial balance.

The budget transfers are considered when drafting the Law of the state budget, that is, at one of the stages of the budget process: (i) drafting the Law of the state budget; (ii) discussion and approval of the Law of the state budget; (iii) execution and verification of the Law of the state budget; (iv) preparation, discussion and verification of the Report of the Law of state budget (Figure 3) (Direção-Geral do Orçamento, 2019a):

1. Stage 1: The Government of Portugal begins to prepare a draft state budget at the beginning of the year, usually in April-May. During the process, all ministries are involved in discussing the best ways to allocate state resources. The results of this discussion are considered in the formation of state policy, as well as in drawing up a budget strategy for the next year. Once the macroeconomic scenario has been compiled, the preparation of a draft law on the state budget begins (October, 15 – the last day of the submission of the draft budget law to the Assembly of the Republic).
2. Stage 2: The Assembly of Portugal must review and approve the law on the state budget with all the amendments made within a period not exceeding 45 days from the date of submission.
3. Stage 3: The Government of Portugal is fully responsible for the implementation of the budget law, that is, it carries out activities to control the allocation of state budget resources. Every month, official reports on incomes and expenditures of the state budget for the past 30 days are published.
4. Stage 4: June, 30 is the last day for submitting the state budget performance report to the Assembly of the Portuguese Republic. On December, 31 of the same year, the report is reviewed and approved with the participation of the Court of Accounts of Portugal.

Thus, the budget system of Portugal is built in accordance with the unitary form of the government and represents a structure that consists of two levels of the budget system – the state budget and budgets of municipalities – and the budgets of the autonomous regions: the Azores and Madeira.

The state budget, in turn, includes social insurance, as well as budgets of autonomous institutions. The interaction between the links of the budget system of Portugal is based on the observance of the principles of fiscal stability and mutual solidarity. One of the main tools that contributes to the implementation of these principles is budget transfers, which, in turn, are divided into transfers to autonomous regions and transfers to municipalities. Budget transfers are considered when drafting the state budget, that is, at the first of the four stages of the budget process: drawing up, discussing and approving, executing, and preparing, discussing and verifying the report on the execution of the state budget. The movement of public resources is fundamental in the implementation of the budget cycle, that is, revenues and expenditures of the state budget, which we consider in detail in the next subsection of the work.

1.3.2. Revenues and expenditures of the state budget of Portugal and its balance: the case of social welfare

Budgetary expenditures, from the point of view of state accounting, include all expenditures of the budgetary expression. In this context, all transactions with financial assets and liabilities are identified, as well as other transactions related to the acquisition of goods and services, interest, subsidies, social benefits, investments (Portuguese Public Finance Council, 2019).

The state budget of Portugal includes the revenues and expenditures of the general state budget of the country, social insurance, as well as the budgets of autonomous public institutions. Administration of revenues and expenditures of the state budget is based on the following nine principles (Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015):

1. No revenues may be demanded or collected unless the following cumulative requirements are fulfilled:
 - It must be legal;
 - It must have been correctly included into the budget;
 - It must be classified.
2. Demands for and the collection of revenues may exceed the amounts set out in the respective budgeting.
3. No expenditures may be authorized unless the following cumulative requirements are fulfilled:
 - The fact generating the obligation must respect the applicable legal norms;
 - The expenditures must be included in the budget for the program and the entity, and there must be sufficient disposable funds to pay for it, and it must be stated whether the payments are limited to the current year or extended further;
 - The expenditures must fulfil the requisites of economy, efficiency and efficacy.
4. No expenditures may be paid for unless both the commitment and the respective payment programming are covered by the entity's treasury budget.
5. The annual amount established for a program shall determine the maximum ceiling up to which payments may be made.

6. Budget execution operations regarding revenues and expenditures shall obey to the principle that the functions of issuing demand for payment and collecting funds must be segregated in the case of the former and that those of authorizing expenditures and paying them must be segregated in the case of the latter.
7. The functional segregation referred to in the previous paragraph may be made between different departments and services or between different agents of the same department or service.
8. Entities, departments and services that have no overdue payments may make commitments that give rise to payments in a financial year other than that in which they are made, or in various financial years included in one or more programs, subject to prior authorization by the Minister with oversight of the entity, department or service.
9. Each program-managing entity shall be responsible for ensuring that entities, departments and services record the commitments referred to in the previous paragraph in their local and central systems in a timely manner.

Revenues and expenditures of the state budget of Portugal and its units are divided into three types of classifiers: economic, functional and organic, as well as according to government programs and funding sources. The revenues of the state budget of Portugal are divided by economic classifier, as well as by source of financing, while expenses must be structured according to state programs, by sources of funding, as well as by economic, functional and organic classifiers (Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015).

The economic classifier is a regulatory framework designed to monitor the economic realization of government revenues and expenditures (from the point of view of government accounting) from an economic perspective. The classification of governmental revenues is determined by chapters, groups, and articles, while the classification of governmental expenditures is divided into groups, subgroups, and headings. The economic classification of the government revenues and expenditures of Portugal was approved by Decree-Law №26/2002 of February, 14.

The functional classifier is regulated by Decree-Law №171/1994 of June, 24 and determines the goals and activities of the state, its priorities in terms of meeting public needs.

The organic classifier is used to identify public services and public authorities, and therefore they are structured according to codes that correspond to ministries, state secretaries, heads, departments and budget units (Portuguese Public Finance Council, 2019).

According to the economic classifier of revenues of the state budget of Portugal, state budget revenues are divided into three groups: tax revenues, income tax, non-tax revenues and non-income tax. Tax revenues, that is, revenues from taxes, duties, administrative and general purposes, includes direct and indirect taxes. Non-tax revenues and non-income tax include taxes, fines and other penalties, property income, transfers, sale of current goods and services, sale of investment goods and other revenue (Direção-Geral do Orçamento, 2019b).

According to Article 49 of Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015), the state budget expenditures, in terms of the country's financial investments, are associated with debt obligations, special allocations, financing of the state business sector, budget transfers. Expenditures of the state budget of Portugal, according to the functional classifier, are divided into: (i) general public services; (ii) national defense; (iii) public order and safety; (iv) education; (v) health; (vi) safety and social services; (vii) housing and collective services; (viii) cultural, recreational e religious services; (ix) agriculture and livestock, forestry, fishing and hunting; (x) industry and energy; (xi) transport and communication; (xii) trade and tourism; (xiii) other economic functions; (xiv) public debt operations; (xv) transfers within the general government; (xvi) not elsewhere classified.

According to the classification of expenditures of the state budget of Portugal from the aspect of the state programs expenditures are divided into: (i) sovereignty; (ii) state and municipal administration; (iii) external representation; (iv) finance; (v) public management division; (vi) defense; (vii) internal security; (viii) the judicial system; (ix) culture; (x) science, technology and higher education; (xi) primary, secondary education and school management; (xii) social work and safety; (xiii) health care; (xiv) infrastructure; (xv) economy; (xvi) environmental protection; (xvii) agriculture, livestock and fisheries (Direção-Geral do Orçamento, 2019b).

When planning revenues and expenditures of the state budget, it is necessary to respect the principle of its structural balance. The structural balance is determined in accordance with the European System of National Accounts and considering the adjustment for cyclical effects, its value cannot be lower than that established in the State Stability and Growth Program, and the value of the structural deficit should aim at 0,5% of the gross domestic product of the country (Law №151/2015 of 11 September 2015 (Law governing the Budgetary Framework, 2015). The balanced budget, in turn, is the fundamental basis for implementing an effective socio-economic policy of the state, raising the standard of living of the population, and stimulating the growth of the social and economic spheres – that is, to ensure public welfare.

Considering the issue of achieving a high level of social welfare in Portugal, it is important to note that the country, by being member of the European Union, implements the European social model for economic progress and the development of social infrastructure in its territory. It is a complex system of values, experience, programs, policies, institutions that have been formed in the past and are complemented today, being an element of European identity, democracy, economic development, social and cultural progress (Kvist, 2013). The European social model is implemented in all EU member countries and is based on three fundamental values: economic competition, social cohesion, social solidarity. The European social model is based on five elements: basic social rights, social protection, social dialogue, regulation of the social sphere, and state responsibility in the field of employment are among the basic elements of social welfare (Mathieu & Sterdyniak, 2008).

The Belgian scientist Sapir (2006) outlines four types of European social models: Nordic, Anglo-Saxon, Continental and Mediterranean. The author analyzes these models according to such criteria as labour market flexibility, poverty level, unemployment, support for socially unprotected

segments of the population and other significant criteria that affect the overall level of public welfare. Nordic countries (Denmark, Finland and Sweden, plus the Netherlands) feature the highest levels of social protection expenditures and universal welfare provision. There is an extensive fiscal intervention in labour markets based on a variety of “active” policy instruments. Strong labour unions ensure highly compressed wage structures. Anglo-Saxon countries (Ireland and the United Kingdom) feature relatively large social assistance of the last resort. Cash transfers are primarily oriented to people in working age. Activation measures are important as well as schemes conditioning access to benefits to regular employment. On the labour market side, this model is characterized by a mixture of weak unions, comparatively wide and increasing wage dispersion and relatively high incidence of low-pay employment. Continental countries (Austria, Belgium, France, Germany and Luxembourg) rely extensively on insurance-based, non-employment benefits and old-age pensions. Although their membership is on the decline, unions remain strong as regulations extend the coverage of collective bargaining to non-union situations. Finally, Mediterranean countries (Greece, Italy, Portugal and Spain), concentrate their social spending on old-age pensions and allow for a high segmentation of entitlements and status. Their social welfare systems typically draw on employment protection and early retirement provisions to exempt segments of the working age population from participation in the labour market. The wage structure is, at least in the formal sector, covered by collective bargaining and strongly compressed.

Thus, the concept of social welfare in Portugal is implemented by considering the fundamental aspects of the Mediterranean European social model, which, in turn, affects the country's budget policy, that is, the distribution and redistribution of public resources to the country's social policy, health care system, education employment of the population. The way the budget funds of Portugal are spent will be discussed in more detail in the next section.

2. Research Methodology

2.1. Objective of the study and Research Hypotheses

As it has been alluded in the theoretical component of this work, the state budget is the preeminent framework of methodical refinement and the implementation of a consolidated endowment allocated to safeguard the underlying functions of the state, including the advancement of the constituent elements of social welfare. Dwelling on the previous conclusions, the essential objective of this research is to scrutinize the execution of the state budgets of the Russian Federation and Portugal from the perspective of the implementation of social welfare guidelines. To accomplish the objective, it is indispensable to determine a number of distinguishing mandates correlate with the budget systems of the countries under the analytical process on the whole, as well as with their components in particular.

The first mandate of this research is ordained to analyze the revenues segment of the state budgets of the Russian Federation and Portugal, in other words, to handle a structural analysis of the prevailing sources of financing of the state budgets and to pinpoint tendencies in the modification of their structure.

The second mandate is the analysis of the expenditures segment of the state budgets of the countries under research: it also entails a structural analysis of the expenditure items of budgets and aims to gauge the performance level of the budget allocation in terms of the implementation of social welfare codes.

The third mandate of the study is to comprehensively estimate the state budgets of the Russian Federation and Portugal: to determine the degree of the deficit position.

The progression of the foreseen mandates correlates with the principle of induction, that is, a succinct assumption of an upheaval from the particular to the general. This compelling mechanism permits an action of analyzing structurally the budget and its main subdivisions, to perform a correct quantitative and qualitative analysis and to illustrate profound conclusions based on the retrieved data on the scale of execution of the budgets of the Russian Federation and Portugal.

2.2. Description of Data Collection

In order to conduct a quantitative and qualitative estimation of the research object, it is of paramount importance to ascertain its adjustments in dynamic. Dwelling upon this, within the framework of this work, we seized a three-year cycle – 2015, 2016 and 2017 as a base. Since the object of study of this work is public “balance sheet” of the Russian Federation and Portugal, budget execution reports for the scrutinized period evolved into the principal source of information for the database arrangement for the empirical part of the work prepared by the state authorities of the countries accountable for this function.

In this respect, the official website of the Ministry of Finance of the country (<https://www.minfin.ru/ru/>) was picked as the source of the budget documentation of the Russian Federation, since it is this public authority that performs the main functions of regulating the public finance sector, including domestic budget. Moreover, Единый портал бюджетной системы Российской Федерации, that operates under the Ministry of Finance and the Federal Treasury was investigated (<http://budget.gov.ru>). This data source is delineated by Budget Code of the Russian Federation as an apparatus for implementing the principle of pellucidity of the budget system of the country and intended to administer access to information about the budget system and the organization of the budget process in the Russian Federation.

The central source of the data gathered for the description of the implementation of the state budget of Portugal was the portal of the Portuguese Public Finance Council (<https://www.cfp.pt>), that dwells on the objectives proposed to the macroeconomic and fiscal scenarios, on the long-term sustainability of public finance and on compliance with the budget balance rule, with the central government expenditures rule and the regional and local government indebtedness rules that laid down in their respective finance laws. Also, one of the key sources of information for the database concerning Portugal was Direção-Geral do Orçamento (<https://www.dgo.pt>).

Aside from this, for the empirical calculations, it was necessary to gather such data as the population size and growth domestic product in three-year dynamics, which were taken from reliable and respectful international, Russian and Portuguese statistical sources. Among them (i) The World Bank (<https://data.worldbank.org>), (ii) The Portal of the Federal State Statistics Service subordinate to the Ministry of Economic Development of the Russian Federation (<http://www.gks.ru/>), (iii) Pordata – Base de Dados Portugal Contemporâneo – (<https://www.pordata.pt/>) can be highlighted. Along the process of estimation calculation of the public welfare of the given countries some indicators that characterize various spheres of society and the quality of life were engaged. The Global Competitiveness Reports of the World Economic Forum (www.weforum.org/gcr) were used as sources of information for the mentioned indicators.

2.3. Description of Data Analysis

To contrive the preeminent assignments of the work, that is, a qualitative and quantitative analysis of the state budgets of the countries under analysis – the Russian Federation and Portugal – various

research tools and methodologies were used, differentiated according to the specificity of the designated mandates.

Therefore, such methods as horizontal or dynamic analysis, as well as structural analysis were used to analyze the revenues and expenditures portions in the state budgets of the countries. Besides that, an analysis of the mentioned components from the point of view of their share *per capita* of the country, and in the total growth domestic product in a three-year dynamic was carried out.

It is important to single out that, as relative values are of bigger significance for the empirical research than the absolute ones, we have not outlined the single denominator regarding the currency of budgets execution, and have left the currency ingrained for each analysed country: billion rouble for the Russian Federation and million Euros for Portugal. Nevertheless, once revaluation is needed, it is necessary to use the current currency ratio of the two countries¹.

In order to evaluate the effectiveness of the budget executory policy of the analysed countries a new method firstly introduced by such authors as Afonso, Schuknech and Tanzi, was used. The authors built composite indicators of public sector performance. They distinguished public sector performance (PSP), defined as the outcome of public policies, from public sector efficiency, defined as the outcome in relation to the resources employed (Afonso, Schuknech, & Tanzi, 2006), as can be observed in equation [1].

$$PSP_i = \sum_{j=1}^n PSP_{ij} \quad [1]$$

Where:

i – countries;

j – areas of government performance which together determine overall performance in country i.

The performance indicators are of two kinds: opportunity indicators and “musgravian” indicators. As a first step, they defined seven sub-indicators of public performance. The first four look at administrative, education, health and public infrastructure outcomes and represent “opportunity indicators”. Conversely, each of these sub-indicators can contain several elements.

Banking on the data related to social welfare presented in the theoretical framework of this research, we have highlighted some indicators that directly impact the quality of life. The database of all indicators used in the analytical method was Executive opinion survey of The World Economic Forum, presented at the Global Competitiveness Reports of The World Economic Forum from 2015 to 2017, and also The Institute for Health Metrics and Evaluation.

¹ For instance, according to the Bank of Portugal (2019), the exchange rates between Euros (EUR) and Russian roubles (RUB) were at the end of 2015, 2016 and 2017 of 1EUR=78,59RUB, 1EUR=63,35RUB and 1EUR=68,88RUB, respectively.

Dwelling on this, “administrative” includes the following indicators:

1. Reliability of police services: response to the survey question “In your country, to what extent can police services be relied upon to enforce law and order?” (1 = extremely poor – among the worst in the world; 7 = extremely good – among the best in the world).
2. Organized crime: response to the survey question “In your country, to what extent does organized crime (mafia-oriented racketeering, extortion) impose costs on businesses?” (1 = to a great extent, imposes huge costs; 7 = not at all, imposes no costs).
3. Judicial independence: response to the survey question “In your country, how independent is the judicial system from governmental, corporate or individual influence?” (1 = not independent at all; 7 = entirely independent).
4. Property rights (response to the survey question “In your country, to what extent are property rights, including financial assets, protected?” (1 = not at all; 7 = to a great extent).

“Education” includes the extent of staff training: response to the survey question “In your country, to what extent do companies invest in training and employee development?” (1 = not at all; 7 = to a great extent).

“Health” includes life expectancy: number of years that a newborn can expect to live in good health, considering mortality and disability.

“Public infrastructure” includes quality of roads: response to the survey question “In your country, what is the quality (extensiveness and condition) of road infrastructure?” (1 = extremely poor – among the worst in the world; 7 = extremely good – among the best in the world).

For detailed information, it is reasonable to subsume to The Global Competitiveness Reports of The World Economic Forum, that were reviewed in the reference section.

The three other sub-indicators reflect the “musgravian” tasks for government. These try to measure the outcomes of the interaction with, and reactions to, the market process by government. Income distribution is measured by the first of these indicators. An economic stability indicator illustrates the achievement of the stabilization objective. The third indicator tries to assess allocative efficiency by economic performance. Each of these traditional indicators is made up of various elements. Thus, “distribution” includes Gini coefficient. “Stability” is made up of the rate of inflation and stability of GDP growth. “Economic performance” is represented by unemployment and GDP real growth.

Finally, all sub-indicators are used to compute a composite public sector performance indicator by giving the sub-indicators equal weights. The values are normalized and the average is set equal to one. Then the PSP of each country is related to this average and deviations from this average provide an indication of the public sector performance of each of country. However, these performances reflect outcomes without considering the level of public spending. They ignore the costs in terms of public expenditure. To get some values of public sector efficiency (PSE), the public sector performance (PSP) is weighted by the relevant category of budget expenditures. The formula is presented in equation [2].

$$PSE_i = \sum_{j=1}^n \frac{PSP_{ij}}{PEX_{ij}} \quad [2]$$

Where:

PEX_{ij} – amount of relevant to “j” budget expenditure.

Hence, government performance in the area of public administration is weighted by expenditures on public order and safety. The achievements in education are related to budget expenditures on the education sector. The same treatment applies to health. The provision of public infrastructure is weighted by expenditures on transport and communication. As for the “Musgravian” tasks of the government, performance on income distribution is related to spending on transfers and subsidies, while outcomes on the functions of the state in terms of stability and economic performance are weighted by total expenditures. To compute PSE scores, budget expenditures was normalized across countries, taking the average value of one for each of the aforementioned expenditure categories. The overall assumption behind the assessment of public sector performance and efficiency employing PSP and PSE indicators is that the observed outcome indicators are solely the result of public spending policies. It simply attributes achievements in public administration, education, health, public infrastructure as well as economic performance, stability and income distribution to public policies without acknowledging the effect of expenses incurred by private agents on outcome indicators or any other external factors.

3. Comparative analysis of the implementation of the social policy through the state budgets in the Russian Federation and Portugal

3.1. Comparative analysis of the revenues of the state budgets of the Russian Federation and Portugal

Conducting an active social policy, the development of national projects and the implementation of the concept of social welfare requires maintaining the state budget revenues at a fairly high level. Dwelling on this, an important mandate of a state assumes securing the sustainability of the budget system and all of its structural elements. In this regard, we consider the structure of the revenues component of the state budgets of the Russian Federation and Portugal. For the analyzed period the years of 2015, 2016 and 2017 are taken.

Drawing on the data presented in Table 5, we can presume that throughout the period of 2015-2017 a large share in the revenues structure of the state budget of the Russian Federation amounted to tax revenues – 62,89%, 64,89% and 73,37%, respectively. Additionally, it is significant to remark a positive trend in the change of tax revenues, that in 2017 increased by 28,88% compared with 2015. The smallest part in the total amount of revenues is composed by granted taxes, which amounted to 1,91%, 1,13% and 0,28% from 2015 to 2017, respectively. By analyzing the dynamic of granted taxes in the revenues structure of the state budget of the Russian Federation it is possible to sign that it has a downward character.

Table 5. The structure of revenues of the state budget of the Russian Federation.

Type of revenues	Executed						Change from 2015 to 2017	
	2015		2016		2017		billion roubles	%
	billion roubles	%	billion roubles	%	billion roubles	%		
Tax revenues	8590,60	62,89	8734,20	64,89	11071,30	73,37	2480,70	128,88
Non-tax revenues	4808,40	35,20	4573,70	33,98	3976,10	26,35	-832,30	82,69
Granted tax credits	260,30	1,91	152,10	1,13	41,50	0,28	-218,80	15,94
Total	13659,30	100,00	13460,00	100,00	15088,90	100,00	1429,60	110,47

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

Another key point can be seen in Table 6 where the tax revenues structure of the state budget of the Russian Federation, from 2015 to 2017, is based on taxes, fees and regular payments for the use of natural resources – 37,03%, 33,01% and 36,95%, respectively. It is also important to note that all types of tax revenues for the analyzed period tend to increase. The most significant change was recorded in the item of other tax revenues, which in 2017 increased by 110 times compared with 2015. The total amount of tax revenues of the state budget of the Russian Federation rose in 2017 by 28,28% compared with 2015 (Table 6).

Table 6. The structure of tax revenues of the state budget of the Russian Federation.

Type of revenues	Executed (billion roubles)			Change from 2015 to 2017	
	2015	2016	2017	billion roubles	%
Taxes on profits	491,38	491,02	762,40	271,02	155,15
Taxes on goods (works, services) sold in the territory of the Russian Federation	2976,24	3289,55	3979,50	1003,26	133,71
Taxes on goods imported into the country	1839,19	1975,65	2145,46	306,27	116,65
Taxes, fees and regular payments for the use of natural resources	3181,15	2882,96	4090,33	909,18	128,58
State duty	101,74	94,21	0,00	-101,74	0,00
Other	0,85	0,81	93,60	92,75	11011,76
Total	8590,55	8734,20	11071,29	2480,74	128,88

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

With attention to the structure of non-tax revenues, it is reasonable to mention that the largest share in the total amount of this category of revenues is composed by the income from foreign economic activity – 68,53%, 56,98% and 65,46% from 2017 to 2015, respectively. Along the analyzed period, a significant increase in the amount of payments for the use of natural resources was recorded, that in 2017 rose by 174,75 billion rubles or two times compared with 2015. Also, a 100% increase is observed in the category of fines, sanctions and damages. Other non-tax revenues levelled up by 97,72 billion rubles or 88.29%. However, in general, throughout the analyzed period, a tendency towards reduction in non-tax revenues of the state budget of the country can be indicated: for instance, in 2017 a decrease by 832,26 billion rubles was recorded or 17,31% compared with 2015 (Table 7).

Table 7. The structure of non-tax revenues of the state budget of the Russian Federation.

Type of revenues	Executed (billion roubles)			Change from 2015 to 2017	
	2015	2016	2017	billion roubles	%
Income from foreign economic activity	3295,26	2606,00	2602,75	-692,51	78,98
Income from the use of property in state and municipal ownership	690,02	1283,36	485,42	-204,60	70,35
Payments when using natural resources	166,26	236,67	341,01	174,75	205,11
Income from the provision of paid services and compensation of state expenses	378,53	142,37	122,58	-255,95	32,38
Income from the sale of tangible and intangible assets	107,85	88,56	119,28	11,43	110,60
Fines, sanctions, damages	0,00	56,72	66,93	66,93	100,00
Other non-tax revenues	110,68	134,12	208,40	97,72	188,29
Other not classified	59,81	25,94	29,78	-30,03	49,79
Total	4808,41	4573,74	3976,15	-832,26	82,69

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

As an illustration of the structure of granted taxes of the state budget of the Russian Federation, it is worth drawing attention to the fact that during the period under review the items of revenues that comprise the main sources underwent changes. In 2015, the main source of this category of revenues was granted taxes from other budgets of the budget system of the country – 68,88% of total revenues – and in 2017 were granted taxes from state and municipal organizations – 61,18% of total revenues. In general, for the analyzed period, a decrease by 84,07% in granted tax credits of the state budget is observed (Table 8).

Table 8. The structure of granted tax credits revenues of the state budget of the Russian Federation.

Type of revenues	Executed (billion roubles)			Change from 2015 to 2017	
	2015	2016	2017	billion roubles	%
Grants, subsidies, subventions from other budgets of the budget system of the Russian Federation	179,27	96,08	15,95	-163,32	8,90
Revenues of the budgets of the budget system of the Russian Federation from the return of the remnants of subsidies, subventions and other intergovernmental transfers with a designated purpose of past years	80,92	55,85	25,37	-55,55	31,35
Other granted tax credits	0,09	0,17	0,15	0,06	166,67
Total	260,28	152,1	41,47	-218,81	15,93

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

Therefore, it can be concluded that the basis of the state budget revenues of the Russian Federation is tax revenues, which occupy 62,89%, 64,89% and 73,37% of the total revenues from 2015 to 2017, respectively. Moreover, taxes, fees and regular payments for the use of the country's natural resources account for the largest share in tax revenues – 37,03%, 33,01% and 36,95%. In general, in 2017 there is a tendency for the growth of the state budget revenues by 10,47% compared with 2015.

In contrast, when analyzing the revenues part of the state budget of Portugal, it is worth mentioning that the structure has some differences when compared with the Russian Federation: the main one is the division of revenues into tax and non-tax and income tax is separately allocated (Table 9).

Table 9. The structure of revenues of the state budget of Portugal.

Type of revenues	Executed						Change from 2015 to 2017	
	2015		2016		2017		million Euros	%
	million Euros	%	million Euros	%	million Euros	%		
Tax revenues	38849,60	90,30	40243,20	89,57	42211,40	92,11	3361,80	108,65
Income tax	611,60	1,42	633,30	1,41	60,20	0,13	-551,40	9,84
Non-tax revenues and non-income tax	3563,40	8,28	4051,90	9,02	3555,40	7,76	-8,00	99,78
Total	43024,60	100,00	44928,40	100,00	45827,00	100,00	2802,40	106,51

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b).

Given the data presented in Table 9, it is possible to state that for the analyzed period, from 2015 to 2017, a large share in the structure of revenues of the state budget of Portugal was tax revenues – 90,30%, 89,57% and 92,11%, respectively. Similarly, a positive trend in the change of tax revenues of the country's budget is noted: thus, in 2017 there was an increase by 8,65% compared with 2015. The smallest part in the total amount of revenues is income tax, which amounted to 1,42%, 1,41% and 0,13% from 2015 to 2017, respectively. Analyzing the dynamic of granted taxes in the revenues structure of the state budget of Portugal, we can conclude that it has a downward character. So, in 2017 the amount of granted taxes decreased by 84,06% compared with 2015.

When it comes to the tax revenues of the state budget of Portugal, it is worth noting that they are divided into direct and indirect taxes: their ratio from 2015 to 2017 was 46,97% and 53,03%, 44,10% and 55,90%, 43,44% and 56,56%, respectively – thus, we can conclude that indirect taxes are the prevailing source of tax revenues of the country's budget. In general, during the period under review, there is an increase in direct and indirect taxes of the Portuguese budget (Table 10).

Table 10. The structure of tax revenues of the state budget of Portugal.

Type of revenues	Executed (million Euros)			Change from 2015 to 2017	
	2015	2016	2017	million Euros	%
Direct taxes	18245,80	17747,70	18334,70	88,90	100,49
Indirect taxes	20603,70	22495,50	23876,80	3273,10	115,89
Total	38849,50	40243,20	42211,50	3362,00	108,65

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b).

On the contrary, the main sources of non-tax revenues of the state budget of Portugal are budget transfers, which amounted to 22,58%, 33,07% and 25,48% of the total amount of revenues in this category, as well as fees, fines and other payments, which amounted to 25,48%, 21,05% and 24,99 % of the total non-tax revenues from 2015 to 2017, respectively. Considering the dynamic of the structure of non-tax revenues, we note that in 2017 the total amount of non-tax revenues of the country decreased by 0,23% compared with 2015 (Table 11).

Table 11. The structure of non-tax revenues of the state budget of Portugal.

Type of revenues	Executed (million Euros)			Change from 2015 to 2017	
	2015	2016	2017	million Euros	%
Taxes, fines and other penalties	908,00	852,80	888,60	-19,40	97,86
Property income	632,30	497,50	558,40	-73,90	88,31
Transfers	804,70	1339,90	905,80	101,10	112,56
Sale of current goods and services	476,90	493,30	498,40	21,50	104,51
Sale of investment goods	55,30	51,50	26,50	-28,80	47,92
Other revenue	686,20	816,90	677,60	-8,60	98,75
Total	3563,40	4051,90	3555,30	-8,10	99,77

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b).

To sum it up, the basis of the revenues of the state budget of Portugal is tax revenues, which occupy 90,30%, 89,57% and 92,11% of the total revenues from 2015 to 2017, respectively. In addition, the largest share in tax revenues is indirect taxes – 53,03%, 55,90% and 56,56% in the total amount of this category of the budget revenues. In general, in Portugal in 2017 there is a tendency for the growth of state budget revenues by 6,51% compared with 2015.

When analyzing the revenues of the state budgets of the Russian Federation and Portugal, it is important to evaluate them in a comparable context. To complete it, it is necessary to calculate the revenues share of the state budgets of the Russian Federation and Portugal in the value of the growth domestic product (Table 12).

Table 12. Share of the revenues of the state budgets of the Russian Federation and Portugal in GDP.

Country	Executed (% of GDP)			Change from 2015 to 2017	
	2015	2016	2017	units	%
The Russian Federation	16,90	15,67	16,39	-0,51	96,98
Portugal	23,93	24,09	23,55	-0,38	98,41

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019), Direção-Geral do Orçamento (2019b), & The World Bank Group (2019a).

The revenues share of the state budget in the total value of growth domestic product of the Russian Federation is smaller if compared to the same rate of Portugal, given the 2017-2019-time line respectively. Moreover, the mentioned figures tend to decrease in both countries.

Thus, by concluding the revenues analysis of the state budgets of the Russian Federation and Portugal, we can summarize that the main source of income for both countries is represented by tax revenues. Nevertheless, its share in the Portuguese budget is noticeably higher – 90,30%, 89,57% and 92,11% from to 2015 to 2017 respectively, when compared to the Russian Federation which has the following numbers: 62,89%, 64,89%, 73,37%. The expenditures share in the GDP is also higher in Portugal considering the fact that both countries have a tendency for decrease of this ratio. The next stage is to analyze the state budget expenditures.

3.2. Comparative analysis of the expenditures of the state budgets of the Russian Federation and Portugal from the aspect of social welfare and its balance.

In the event of the state budget expenditures, they reflect the distribution and redistribution processes of the centralized fund of the country's monetary funds and their targeted use to ensure social needs and increase of social welfare. They are aimed at meeting the most important needs in the development of the economy and social sphere, government, defense, and public order. In addition, budget expenditures largely characterize the response level to the needs of state activities. Budget expenditures have quantitative and qualitative characteristics. Quantitative characterization is determined by the amount of financial resources that ensures the level of satisfaction of the needs of society in accordance with a specific economic policy. Qualitative characteristics make it possible to identify the purpose of each type of budget expenditures and the level of efficiency of their use.

Now it is reasonable to analyze the structure of the expenditures of the state budget of the Russian Federation and the state budget of Portugal in terms of the growth of social welfare.

When studying the expenditures structure of the budget of the Russian Federation, presented in Table 13, it is possible to make a conclusion that the state is predominantly focused on social policy implementation and necessary social conditions provision of its residents, for exactly this item of expenditures takes over a third part of all expenditures of the state budget – 27,70%, 27,95% and 30,40% from 2015 to 2017 respectively. Apart from this, the item is deemed to increase. Some focus is also directed towards national defense: 23,43%, 23% and 17,37% of the budget resources were allocated to military protection and defense of the country. The environmental issue takes the last place in the expenditure's allocation rating – 0,31%, 0,44% and 0,73% from the total amount of expenditures registered from 2015 to 2017. Notwithstanding that, precisely the environmental item of the expenditures showed the biggest shift in 2017 when compared to 2015: its increase amounted to 97,34%. As for the dynamics of the expenditures, it is worth noting that the smallest shift for the analyzed period was registered in the culture and cinematography item – 1,29% with a downward character. Generally, the expenditures of the state budget of the Russian Federation increased by 7,92% throughout the analyzed period.

Table 13. The structure of expenditures of the state budget of the Russian Federation.

Type of expenditures	Executed						Change from 2015 to 2017	
	2015		2016		2017		billion roubles	%
	billion roubles	%	billion roubles	%	billion roubles	%		
General public services	1082,09	7,11	1095,59	6,67	1162,43	7,08	80,34	107,42
National defense	3108,05	20,43	3775,35	23,00	2852,27	17,37	-255,78	91,77
Public order and safety	2043,34	13,43	1898,66	11,57	1918,02	11,68	-125,32	93,87
National economy	2169,72	14,26	2302,09	14,02	2460,06	14,98	290,34	113,38
Housing and collective services	122,75	0,81	72,24	0,44	119,48	0,73	-3,27	97,34
Environmental preservation	46,77	0,31	63,08	0,38	92,36	0,56	45,59	197,48
Education	602,86	3,96	597,82	3,64	614,96	3,75	12,10	102,01
Culture and cinematography	90,86	0,60	87,33	0,53	89,69	0,55	-1,17	98,71
Health	385,48	2,53	506,34	3,08	439,85	2,68	54,37	114,10
Social services	4214,66	27,70	4588,48	27,95	4991,99	30,40	777,33	118,44
Sport	71,91	0,47	59,55	0,36	96,14	0,59	24,23	133,69
Mass media	79,85	0,52	76,61	0,47	83,21	0,51	3,36	104,21
Public debt operations	585,30	3,85	621,26	3,78	709,16	4,32	123,86	121,16
Transfers within the general government	611,42	4,02	672,04	4,09	790,69	4,82	179,27	129,32
Total	15215,06	100,00	16416,44	100,00	16420,31	100,00	1205,25	107,92

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

At the same time, when analyzing the structure of the expenditures of the state budget of Portugal, it should be emphasized that it is more detailed than the structure of the state budget of the Russian Federation: 16 items of expenditure in the state budget of Portugal versus 14 items of expenditures in the state budget of the Russian Federation.

Given these points, the main item of expenditures of the state budget of Portugal as well as in the Russian Federation is the social policy of the country: 28,02%, 26,98% and 27,01% from 2015 to 2017, respectively. State budget funds are also focused on financing health care: 17,52%, 17,44% and 17,30% from 2015 to 2017, respectively. Additionally, a significant share of the state budget expenditures falls on education and servicing of state and municipal debt. Apart from this, significant growth of expenditures for the analyzed period was fixed on expenditures on transport and

infrastructure – 5 times higher in 2017 compared to 2015 – as well as expenditures on culture, rest and religion – 2,5 times higher in 2017 compared to 2015 year. In general, the expenditures of the state budget of Portugal for the period under review increased by 4,09% (Table 14).

Table 14. The structure of expenditures of the state budget of Portugal.

Type of expenditures	Executed						Change from 2015 to 2017	
	2015		2016		2017		million Euros	%
	million Euros	%	million Euros	%	million Euros	%		
General public services	1674,70	3,44	1737,10	3,44	1848,10	3,65	173,40	110,35
National defense	1868,90	3,84	1812,20	3,59	1820,50	3,60	-48,40	97,41
Public order and safety	3181,60	6,54	3175,10	6,29	3214,20	6,35	32,60	101,02
Education	6755,80	13,89	7177,10	14,21	7288,90	14,40	533,10	107,89
Health	8518,40	17,52	8811,50	17,44	8757,70	17,30	239,30	102,81
Safety and social services	13625,70	28,02	13632,20	26,98	13669,60	27,01	43,90	100,32
Housing and collective services	108,40	0,22	142,40	0,28	90,90	0,18	-17,50	83,86
Cultural, recreational e religious services	115,90	0,24	131,20	0,26	290,30	0,57	174,40	250,47
Agriculture and livestock, forestry, fishing and hunting	384,80	0,79	418,10	0,83	446,60	0,88	61,80	116,06
Industry and energy	10,90	0,02	110,20	0,22	14,30	0,03	3,40	131,19
Transport and communication	181,50	0,37	697,10	1,38	895,60	1,77	714,10	493,44
Trade and tourism	16,60	0,03	16,40	0,03	16,40	0,03	-0,20	98,80
Other economic functions	314,50	0,65	380,90	0,75	365,30	0,72	50,80	116,15
Public debt operations	7091,80	14,58	7379,20	14,61	7123,20	14,07	31,40	100,44
Transfers within the general government	4776,10	9,82	4896,80	9,69	4771,20	9,43	-4,90	99,90
Not elsewhere classified	0,70	<0,001	0,30	<0,001	0,00	<0,001	-0,70	0,00
Total	48626,30	100,00	50517,80	100,000	50612,80	100,00	1986,50	104,09

Note: Since the relative values of % are discreet, three digits after comma are used in this table.

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b).

Banking on the numbers from Tables 13 and 14, it is possible to figure out that the expenditures structure of the Portuguese budget is much detailed when juxtaposed with the Russian Federation. 16 items against 14. Generally speaking, 10 compatible items of expenditures were identified. However, each budget is subject to its unique expenditures. For instance, there are four items of expenditures in the budget of the Russian Federation that are totally incompatible with any of the Portuguese budget: (i) national economy, (ii) environmental preservation, (iii) sport, (iv) mass media. In the Portuguese budget other items are of some interest to look at: (i) agriculture and livestock, forestry, fishing and hunting, (ii) industry and energy, (iii) transport and communication, (iv) trade and tourism.

By juxtaposing the state budget expenditures execution policy of the two countries, it is essential to point out that each of the maintains a socio-oriented direction, for the largest share of budget resources is distributed to the necessary social conditions and services provision of the residents. Nevertheless, when structural analysis is taken into consideration, the state budget of Portugal is more profoundly directed to the life quality augmentation since the subsequent item of expenditures takes charge of health care and education, i.e. the fundamental components of the overall social welfare. Apart from this, the actual ways of expenditures allocation tend to increase in numbers given the analyzed period. In contrast, the second and third places are taken by national defense and national economy spheres in the Russian Federation.

Analyzing the expenditures of the state budget of the country in terms of the growth of its social welfare, it is important to give not only quantitative but also a qualitative assessment of the main articles of governmental expenditures. In order to calculate the allocation level of budget funds *per capita*, we use the indicators of auxiliary Table 15, based on data from the World Bank.

Table 15. The dynamics of population in the Russian Federation and Portugal.

Country	Population (million people)			Change from 2015 to 2017	
	2015	2016	2017	million people	%
The Russian Federation	144,10	144,34	144,50	0,40	100,28
Portugal	10,36	10,33	10,29	-0,06	99,38

Source: Author's own elaboration on the base of The World Bank Group (2019b).

Thus, on the basis of Table 15, it can be concluded that during the analyzed period, the population of the Russian Federation increased by 0,28%, while the population of Portugal decreased by 0,67%. Proceeding with the analysis, it is now vital to calculate the share of expenditures of the state budget of the Russian Federation *per capita* from 2015 to 2017 (Table 16).

Table 16. The expenditures share of the state budget of the Russian Federation calculated *per capita* of the country.

Type of expenditures	Executed <i>per capita</i> (%)			Change from 2015 to 2017	
	2015	2016	2017	units	%
General public services	0,049	0,046	0,049	0,000	99,264
National defense	0,142	0,159	0,120	-0,022	84,799
Public order and safety	0,093	0,080	0,081	-0,012	86,736
National economy	0,099	0,097	0,104	0,005	104,768
Housing and collective services	0,006	0,003	0,005	-0,001	89,942
Environmental preservation	0,002	0,003	0,004	0,002	182,476
Education	0,027	0,025	0,026	-0,002	94,258
Culture and cinematography	0,004	0,004	0,004	0,000	91,214
Health	0,018	0,021	0,019	0,001	105,437
Social services	0,192	0,194	0,210	0,018	109,446
Sport	0,003	0,003	0,004	0,001	123,539
Mass media	0,004	0,003	0,004	0,000	96,292
Public debt operations	0,027	0,026	0,030	0,003	111,958
Transfers within the general government	0,028	0,028	0,033	0,005	119,496

Note: Since the relative values of % are discreet, three digits after comma are used in this table.

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019) & The World Bank Group (2019b).

Based on the data presented in table 16, it can be concluded that the highest share of the state budget expenditures *per capita* of the Russian Federation falls on social policy – 0,192%, 0,194%, 0,210% of the total expenditure from 2015 to 2017, respectively. The share of the state budget expenditures *per capita* for national defence and the economy is also high. The smallest percentage of the total budget expenditures accounted for sport, as well as for culture and cinematography, mass media.

Table 17. The expenditures share of the state budget of Portugal calculated *per capita* of the country.

Type of expenditures	Executed <i>per capita</i> (%)			Change from 2015 to 2017	
	2015	2016	2017	units	%
General public services	0,332	0,333	0,355	0,022	106,744
National defense	0,371	0,347	0,350	-0,021	94,224
Public order and safety	0,632	0,608	0,617	-0,014	97,720
Education	1,341	1,375	1,400	0,058	104,362
Health	1,691	1,689	1,682	-0,009	99,446
Safety and social services	2,705	2,612	2,625	-0,080	97,040
Housing and collective services	0,022	0,027	0,017	-0,004	81,113
Cultural, recreational and religious services	0,023	0,025	0,056	0,033	242,281
Agriculture and livestock, forestry, fishing and hunting	0,076	0,080	0,086	0,009	112,264
Industry and energy	0,002	0,021	0,003	0,001	126,901
Transport and communication	0,036	0,134	0,172	0,136	477,301
Trade and tourism	0,003	0,003	0,003	0,000	95,563
Other economic functions	0,062	0,073	0,070	0,008	112,353
Public debt operations	1,408	1,414	1,368	-0,040	97,157
Transfers within the general government	0,948	0,938	0,916	-0,032	96,629
Not elsewhere classified	0,000	0,000	0,000	0,000	0,000

Note: Since the relative values of % are discreet, three digits after comma are used in this table.

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b) and The World Bank Group (2019b).

When it comes to the data gathered for the purpose of analyzing the Portuguese budget, it can be seen that the largest share of expenditures from the state budget of Portugal per person also, as in Russia, accounts for social services – 2,705%, 2,6212% and 2,625% of the total expenditures from 2015 to 2017, respectively (Table 17).

In addition, Portugal is actively investing budget funds in the development of the health care and education system, this is also evidenced by the high rates of the share of expenditures per person in the country. Unlike the Russian Federation, in Portugal, the cost of servicing the public debt is largely shifted to the residents of the country: 1,408%, 1,414% and 1,368% of the total expenditure from 2015 to 2017, respectively. However, it should be noted that this trend is of a downward

character. The largest change is recorded in the item of expenditures on transport and infrastructure. In 2017, the share of this category of expenditures *per capita* increased by 4,7 times compared with 2015. Expenditures on culture, recreation and religion also increased 2,4 times over the period analyzed.

To provide the research with a high-quality evaluation analysis of the budget execution it is reasonable to use the method firstly introduced by Afonso, Schuknecht and Tanzi and recently referred to in the third section of the work – with the help of which we are to calculate the indicator of public sector performance (PSP).

Banking on the data presented in Table A in the Appendix, “opportunity” and “musgravian” indicators were calculated and the indicator of public sector performance for the Russian Federation and Portugal was computed afterwards. Dwelling on the data from Table 18, it is possible to single out that the budget execution of Portugal is more effective than that of the Russian Federation. Aside from this, the discrepancy of the PSP indicator between the two countries in 2015 amounted to 1,41 units. Notwithstanding that, the difference reduced to 1,23 unit or 87,23% by 2017. Apart from that, the discrepancy of the PSP indicator between the two countries amounted to 1,41 unit in 2015

When analyzing the dynamics of the sub-indicators, it can be outlined that in 2015 the better performance in the life quality improvement sphere was shown from the Portuguese side if all investigated parameters are taken into consideration. The only exception was made by the distribution indicator that is based upon the Jinny coefficient. Throughout the whole period under review, this sub-indicator was noticeably higher at the Russian part. Above all, in 2017 Russia caught up with Portugal on more indicator which is called stability that includes such ratios as inflation and the GDP increase constancy. The aforementioned ratios grew up in 2017 compared to the year of 2015. The indicator of public sector performance’s fluctuations in the Russian Federation are more rigorous than those of Portugal where the change takes a less severe divergence. Nonetheless, the changes that take place in Portugal have a downward tendency. Whereas in Russia a noticeable increase from 2015 to 2017 is observed.

Table 18. Public sector performance indicators of the Russian Federation and Portugal.

Indicator	Sub-indicator	2015		2016		2017	
		RF	Portugal	RF	Portugal	RF	Portugal
Opportunity indicators	Administration	0,79	1,21	0,83	1,17	0,85	1,15
	Education	0,96	1,04	0,97	1,03	0,98	1,03
	Health	0,94	1,06	0,93	1,07	0,94	1,06
	Infrastructure	0,61	1,39	0,64	1,36	0,70	1,30
Musgravian indicators	Distribution	1,10	0,90	1,11	0,89	1,11	0,89
	Stability	-2,86	2,86	2,86	1,35	1,05	0,95
	Economic performance	-2,50	0,40	0,17	1,83	0,74	1,26
PSP		-0,14	1,27	1,07	1,24	0,91	1,09

Source: Author's own elaboration on the base of Schwab and Sala-i-Martin (2015; 2016; 2017), Federal State Statistics Service (2019) and Portdata (2019).

Public sector performance must be set in relation to the inputs used in order to gauge the efficiency of the state. We compute indicators of Public Sector Efficiency (PSE), considering the expenditure related to each sub-indicator as described in methodology part, primary data is presented in Table B in the Appendix (Table B). Table 19 shows the PSE measures for analyzed countries.

Table 19. Public sector efficiency indicators of the Russian Federation and Portugal.

Indicator	Sub-indicator	2015		2016		2017	
		RF	Portugal	RF	Portugal	RF	Portugal
Opportunity indicators	Administration	-8,94	0,60	1,16	0,61	1,30	0,75
	Education	-2,66	1,29	0,35	1,31	0,37	1,52
	Health	-1,48	1,42	0,26	1,39	0,24	1,64
	Public infrastructure	-13,14	0,14	1,33	0,46	1,38	0,68
Musgravian indicators	Distribution	-3,54	1,19	0,51	1,17	0,63	1,31
	Stability	-6,38	0,88	0,88	0,85	0,96	1,03
	Economic performance	-2,49	1,31	0,36	1,30	0,41	1,49
PSE		-5,52	0,98	0,69	1,01	0,75	1,20

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019), Direção-Geral do Orçamento (2019b) and The World Bank Group (2019c).

The results of the public sector efficiency measuring, based on the primary data, represented in the Appendix (Table B), show an accentuation of the findings for the public sector performance. This suggests that more budget expenditures often have relatively low returns as regards improved performance. Touching upon the data from Table 19, it is of importance to mention that Portugal manages to execute its state budget more efficiently since the PSE indicator for the country's database is higher than that for the Russian Federation. Moreover, considering a low PSP ratio of 2015 triggered by the high inflation growth and low GDP stability growth, the PSE indicator showed negative results as well. Despite that, the mentioned above indicator succeeded to increase its value and approximated to the Portuguese one. What comes to Portugal, it is worth noting that the state budget expenditures are managed in a more effective way when compared to the Russian Federation. Apart from that, the PSP indicator levelled up to 22,45%. Speaking of the sub-indicators, it is reasonable to conclude that in 2017 the Russian Federation was feasibly more efficient in such sectors as administrative expenditures and public infrastructure. The state budget of Portugal was successfully executed in such fields as education, health care, budget transfers and subsidies, interest performance and the budget expenditures on the whole.

To put it as a conclusion, by completing the state expenditures analysis outcome it can be summarized that the budget of Portugal, when compared to the budget of the Russian Federation, is more socially-oriented one, since its principal items of expenditures are composed by "social services", "education" and "health care" that do not only take a significant share in the budget structure but also have a rather big ratio *per capita*. When it comes to the budget of the Russian Federation, it is also directed to the social sphere of life as one-third of all of its expenditures is distributed to social services. At the same time, there is also some focus on the internal as well as external defense of the country which is represented by such items of expenditures as "national defence" and "public order and safety". When taking a look at the budget expenditures efficiency and high life quality standards provision, it is important to notice that Portugal manages its mandates in a more successful way which is supported by a higher indicator ration of public sector performance and public sector efficiency.

As the revenues and expenditures parts of the budgets of the two countries from the point of view of social welfare have already been considered, it is now of importance to analyze the budget balance of Portugal and Russia to complete the research. As mentioned above, the budget balance capacity influences the level of the social welfare.

The budget balance appears to be one of the most significant conditions of social welfare growth and high quality of life of the residents' maintenance. Drawing on this, the presented characteristics of the budgets of the Russian Federation and Portugal is taken as the analysis object for the empirical part of the work. Besides that, this category will allow to build a holistic picture of the budgets of the analyzed countries and unite the aforementioned categories of revenues and expenditures of state budgets. Considering Table 20, it can be seen that the state budget of the Russian Federation is unbalanced and is distinguished by its deficit that reduced by 32,10% throughout the review period.

Table 20. The deficit of the state budget of the Russian Federation.

Budget line	Executed (billion roubles)		Change from 2015 to 2017		
	2015	2016	2017	billion roubles	%
Revenues	13659,30	13460,00	15088,90	1429,60	110,47
Expenditures	15620,25	16416,44	16420,31	800,06	105,12
Balance	-1960,95	-2956,44	-1331,41	629,54	67,90

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019).

According to Table 21, the state budget of Portugal can also be described as unbalanced, with the expenditures outnumbering the revenues and, consequently, a deficit tendency. However, the deficit level reduced by 14,57% from 2015 to 2017.

Table 21. The deficit of the state budget of Portugal.

Budget line	Executed (million Euros)		Change from 2015 to 2017		
	2015	2016	2017	million Euros	%
Revenues	43024,60	44928,40	45827,00	2802,40	106,51
Expenditures	48626,30	50517,80	50612,80	1986,50	104,09
Balance	-5601,70	-5589,40	-4785,80	815,90	85,43

Source: Author's own elaboration on the base of Direção-Geral do Orçamento (2019b).

To provide a complex evaluation of the deficit level of the state budgets of the given countries, it is necessary to identify the deficit share in the GDP. Given that, the budget share in the GDP of the Russian Federation amounted to 2,20%, 3,54%, 1,30% from 2015 to 2017 respectively. As for Portugal, the budget share is higher: 3,17%, 3,08% and 2,49%. On the whole, both countries tend to show a positive dynamics of budget share decrease in their GDP – by in the Russian Federation and by in Portugal.

Table 22. The deficit share of the state budgets of the Russian Federation and Portugal in the GDP of the countries.

Country	Share of deficit in the GDP (%)			Change from 2015 to 2017	
	2015	2016	2017	units	%
The Russian Federation	2,20	3,54	1,30	0,90	58,90
Portugal	3,17	3,08	2,49	0,68	78,31

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019), Direção-Geral do Orçamento (2019b) and The World Bank Group (2019a),

Therefore, by estimating the budgets of the Russian Federation and Portugal on the whole, it is worth mentioning that both of them are distinguished by the deficits, in spite of its perpetual decrease.

Conclusions, Limitations and Future Research Lines

The objective of this research lies in the analysis of the state budget execution of the Russian Federation and Portugal from the perspective of life quality improvement and, consequently, social welfare growth in three-year dynamics – from 2015 to 2017. The results obtained through the scientific research can be divided into three main components that correlate with the mandates outlined at the beginning of this work.

First of all, by analyzing the state budget revenues of the Russian Federation and Portugal, it was concluded that, on the whole, their structure does have some discrepancy: in the legislation of the Russian Federation tax, non-tax and granted tax revenues are stated, whereas in Portugal there is a division of revenues into tax and non-tax and income tax. In both countries the revenues of the state budgets mostly depend on tax revenues: in the Russian budget, they amount to 67,05% on average, in Portugal 90,66% for the whole analyzed period. When looking through the level of state revenues from the point of view of their share in the GDP of the country, it is worth noting that Portugal has a higher value of this ratio when compared to the Russian Federation throughout 2015-2017 years: 23,86% against 16,32%.

Second of all, the structure of the state budgets of the given countries is also differentiated in some ways. The expenditures structure of the Portuguese budget is more detailed when juxtaposed with the Russian Federation: 16 items against 14. Generally speaking, 10 compatible items of expenditures were identified. However, each budget is subject to its unique expenditures. For instance, there are four items of expenditures in the budget of the Russian Federation that are totally incompatible with any of the Portuguese budget: (i) national economy, (ii) environmental preservation, (iii) sport, (iv) mass media. In the Portuguese budget other items are of some interest to look at: (i) agriculture and livestock, forestry, fishing and hunting, (ii) industry and energy, (iii) transport and communication, (iv) trade and tourism.

When analyzing the state budget expenditures in terms of their components, it is important to point out that, given the period of 2015-2017, in both countries, on average, the biggest share of budget resources is dedicated to social services financing: 28,68% in Russian and 27,38% in Portugal. However, on the whole, it was figured out that the Portuguese budget is much more socially-oriented as the subsequent items of the budget expenditures are represented by health care and education. At the same time, the state budget of the Russian Federation tends to a more active financing of national defense and national economy. This fact is also supported by the calculations of the expenditures shares *per capita* of the countries.

Apart from that, the state budget execution effectiveness analysis from the perspective of life quality maintenance was performed. For the purpose of endorsing that, two indicators were calculated: the index of the public sector performance (PSP) and the index of the public sector efficiency (PSE) that connect one of the crucial elements of social welfare to the state budget expenditures. In the end, it

was established that the Portuguese budget distributes its budget in a far more effective way since the aforementioned indicators have a bigger value with those that belong to the Russian Federation. Notwithstanding that, it is worth mentioning that, in dynamics, these values improved a lot and approximated the Portuguese ones.

Third of all, in terms of this research the state budgets of the Russian Federation and Portugal were analyzed from the perspective of their balance, since, regarding the theoretical framework of this work, these values appear to be one of the overriding conditions for social welfare stability maintenance. As a result, it was clarified that both budgets suffer from certain deficit which, on average, amounted to 2,35% and 2,91% from GDP. Aside from that, this value tends to decrease from 2015 to 2017.

Therefore, in the result of this scientific research, the set objective was achieved and the aforementioned mandates were solved as well. Despite that, this work has its own limitations. First, for the analysis of the Portuguese budget, several sources in the Portuguese language were used. The legislative and statistical documents belong to this category. Since the language is not a mother tongue of the co-author of the work, an online dictionary was used which could possibly make some small mistakes in the meanings and notions. Apart from that, the Russian sources were also used, and since they do not have an official English equivalent, it was an obligation to mention them in the original language version. Second, in the process of the state budget execution effectiveness analysis, the methodic was used which has its own caveats outlined by its author: it is not easy to accurately identify the effects of public sector spending on outcomes and separate the impact of public spending from other influences. Moreover, comparing expenditure ratios across countries implicitly assumes that production costs for public services are proportionate to GDP *per capita*. Third, there is lack of pictures and graphics in this work due to certain limitations of the research volume.

In spite of this, the work has certain distinguishing features of novelty as no similar research has ever been performed on the same topic when it comes to the comparative analysis of the state budgets of the Russian Federation and Portugal in terms of the social welfare policy maintenance. The results obtained in this research can be used for more detailed analysis of the state budgets of the two countries as well as for other similar analysis in this field.

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Appendix

Table A. Primary data for the public sector performance sub-indicators of the Russian Federation and Portugal.

Sub-indicator	Element	2015		2016		2017	
		RF	Portugal	RF	Portugal	RF	Portugal
Administration	Reliability of police services	3,2	5,3	3,5	5,7	3,8	5,7
	Organized crime	4,2	6,3	4,4	6,2	4,5	6,0
	Judicial independence	2,9	4,6	3,4	4,7	3,5	4,9
	Property rights	3,3	4,7	3,5	4,5	3,7	4,7
Education	Extent of staff training	3,8	4,1	3,8	4,0	3,8	4,1
Health	Life expectancy	71,1	80,4	70,4	80,7	70,9	81,5
Public infrastructure	Quality of roads	2,7	6,2	2,8	5,9	2,9	6,0
Distribution	Gini coefficient	41,3	33,9	41,4	33,5	41,0	32,1
Stability	Inflation	15,5	0,5	7,0	0,6	3,7	1,4
	Stability of GDP growth (coef. of variation)	-3,0	2,2	-0,4	1,9	1,4	3,0
Economic performance	Unemployment	5,6	12,4	5,6	11,1	5,2	8,9
	GDP real growth	-2,8	1,8	-0,2	1,6	1,5	2,7

Source: Author's own elaboration on the base of Schwab & Sala-i-Martin (2015), Schwab & Sala-i-Martin (2016), Schwab & Sala-i-Martin (2017), Federal State Statistics Service (2019), & Portdata (2019).

Table B. Primary data for the public sector efficiency sub-indicators of the Russian Federation and Portugal.

Sub-indicator	Element	2015		2016		2017	
		RF	Portugal	RF	Portugal	RF	Portugal
Administration	Expenditures on public order and safety	2,30	1,41	2,27	1,37	1,87	1,31
Education	Expenditures on education	0,68	3,00	0,72	3,10	0,60	2,96
Health	Expenditures on health	0,43	3,78	0,61	3,80	0,43	3,56
Public infrastructure	Expenditures on transport and communication	0,82	0,08	0,75	0,30	0,61	0,36
Distribution	Expenditures on transfers within the general government	0,69	2,12	0,80	2,11	0,77	1,94
Stability	Total expenditures	17,11	21,58	19,66	21,79	16,01	20,59
Economic performance	Interest payments	0,76	3,66	0,80	3,39	0,69	3,04

Source: Author's own elaboration on the base of Единый портал бюджетной системы Российской Федерации (2019), Direção-Geral do Orçamento (2019b), & The World Bank Group (2019c).