Planning as a basis for effective financial support of public procurement

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Abstract. The article substantiates the importance of planning public procurement, expressed by the legal possibility of solving the assigned tasks in a timely manner by concentrating resources on priority areas. Despite the fact that public procurement planning is designed to ensure effective management at all stages of procurement, including management decisions, insufficient attention is paid to aspects of legal regulation and financial support for procurement planning, which reduces the overall effect in this area. Moreover, public needs in the procurement planning process can be overridden by departmental needs or the private interests of an individual official or a group of individuals. The essence of planning public procurement in Russia is investigated using the methods of consistency, analysis, synthesis, and the comparative legal method. As a result of the study, the main features that characterize the specifics of planning public procurement have been identified; among them are universality, balance, bureaucracy, and ensuring public interest. Highlighting such basic elements of public procurement planning as goal setting, planning depth, accounting and coordination of public and private interests, adaptation, and discretion allowed to formulate a proposal for implementing prospective procurement planning. At the same time, it was proposed to understand the prospective procurement plan as an independent document, approved after funding (allocation of budget funds), and ensuring the implementation of management decisions within the framework of goal setting and synchronization of public and private interests for the medium and long term. The author’s hypothesis was confirmed that prospective procurement planning is aimed at synchronizing public and private interests, integrated into the budget process system, resource supply of the country, or a separate entity.

Key words: public procurement, planning public procurement, financial right, financial support for public procurement, budget resources, public and private interests

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Планирование как основа эффективного финансового обеспечения публичных закупок

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Аннотация. Обоснована значимость планирования публичных закупок, выраженная логической возможностью решения поставленных задач в установленные сроки путем концентрации ресурсов на приоритетных направлениях. Несмотря на то, что планирование публичных закупок призвано обеспечить эффективность управления на всех этапах закупки, включая принятие управленческих решений, аспектам правового регулирования и финансового обеспечения планирования закупок уделяется недостаточно внимания, что снижает общий эффект в указанной сфере. Кроме того, публичные потребности в процессе планирования закупок могут быть подменены ведомственными интересами либо частными интересами отдельного должностного лица или группы лиц. Сущность планирования публичных закупок в России исследована путем использования методов системности, анализа, синтеза и сравнительно-правового метода. В результате исследования выявлены основные признаки, характеризующие особенности планирования публичных закупок, среди которых: универсальность, сбалансированность, бюрократизм, обеспечение публичного интереса. Выделение таких основных элементов планирования публичных закупок, как: целеполагание, глубина планирования, учет и согласование публичного и частного интересов, адаптация, свобода усмотрения, позволило сформировать предложение о внедрении перспективного планирования закупок. При этом под перспективным планом закупок предложено понимать самостоятельный документ, утверждаемый после доведения объема финансирования (выделения бюджетных средств) и обеспечивающий реализацию управленческих решений в рамках целеполагания и синхронизации публичного и частного интересов на среднесрочный и долгосрочный периоды. Подтверждена авторская гипотеза о том, что перспективное планирование закупок направлено на синхронизацию публичного и частного интересов, интегрированную в систему бюджетного процесса, в ресурсное снабжение страны, или отдельного субъекта.

Ключевые слова: публичные закупки, планирование публичных закупок, финансовое право, финансовое обеспечение публичных закупок, бюджетные средства, публичные и частные интересы

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Introduction

The complex, complicated procurement system, repeatedly resulted in the inefficient expenditure of budget funds, was noted at the beginning of 2020 by the Chairman of the Government of the Russian Federation M.V. Mishustin\(^1\). Later, following the Report on the results of the expert-analytical event “Monitoring the development of the system of state and corporate procurement in the Russian Federation for 2019”, the Accounts Chamber of the Russian Federation pointed to the lack of an effective procurement system. According to the auditors, this can be explained by poor understanding by regulators of the interests of procurement participants, and lack of unity in approaches to planning and pricing\(^2\).

The crisis that arose in early 2020 in many countries of the world, including Russia, is associated with the introduction of a “high alert mode” to prevent spreading a new COVID-19 coronavirus infection. This situation enhanced significant adjustments to public procurement functioning, including planning and financial provision of public demand for goods, works, and services.

From our point of view, the restrictions and prohibitions imposed by the Government of the Russian Federation aimed at minimizing the crisis and its consequences, did not affect the priority problems of planning public needs, but only showed the inconsistency of the norms designed to ensure effective spending of budget funds.

Planning and its essence

The significance and essence of planning in the process of managerial activity has been considered by many scientists. Back in 1914 E.N. Berendt noted that “in a state governed by the rule of law, not a single penny of public funds should be spent except for legitimate purposes and in the manner prescribed, specified or permitted by law,” (Berendt, 2014:44). Indeed, the principle of planning financial activities of the state determines mandatory financial planning acts, the competent preparation of which allows to spend budget funds efficiently, economically, and effectively.

Yu.A. Tikhomirov pointed out that “planning acts as the first embodiment of the plan, which is expressed in forecasts and represents a comprehensive, scientifically


based program for solving socio-economic, technical, cultural and other tasks” (Tikhomirov, 1972:16).

O.V. Boltinova noted that “without planning it is impossible to carry out financial activities of the state and municipalities, implement targeted programs, including priority national projects, and ensure social stability of society” (Boltinova, 2008:37).

V.V. Vanin revealed the essence of planning public needs through formalization and concretization by the state of public economic interest, which forms the content of legal planning acts, quantitative and qualitative indicators (Vanin, 2007:9-10).

Professor O.E. Kutafin asserted that “planning and management correlate as part and whole” (Kutafin, 1979:30). He and G.V. Atamanchuk proposed to consider planning “…either as a special management function, or only as an element of a more general, universal management function, realized in developing and adopting managerial decisions, or as a management method” (Atamanchuk, 2000:49).

O.N. Gorbunova believes that “planning as a function of public administration can be described as developing plans and forming state strategies based on relations with the external environment that reflects the choice of missions, and spheres of activity” (Gorbunova, 2018:16).

The legal positions presented above define planning as a managerial function and contain a single basis; a plan is a developed, optimal and coordinated algorithm for solving tasks necessary to achieve the goal. For example, the state acquires a certain benefit in order to ensure public interest. The acquisition takes place not in an isolated space (vacuum), but in an existing market functioning according to the laws and rules of market economy. Within the framework of regulating such legal relations, the state performs the function of a regulator, influencing these relations directly or indirectly.

Consequently, in the process of ensuring public needs the state, acts both as a regulator of social and economic relations, providing for disposition and equality of parties to the transaction, non-discrimination, free competition, etc., and as a consumer (buyer) who wishes to gain good value for money.

In the first case, the state exercises the powers of the public authority, in the second — the owner, who pays for the needs at the expense of the budget and state extra-budgetary funds. At the same time, both of the above statuses oblige the state to carry out mandatory planning of public needs, expressed in the intention of a particular customer to purchase specific goods, works, and/or services.

It is necessary to emphasize the negative point in the procurement planning process — public needs can be replaced by departmental needs (at best) or by private interests of an individual official or a group of persons (at worst). At the same time, although the purchase is planned for specific budget classification code and the customer’s areas of activity, it is not directly linked to the latter’s responsibility for ensuring public interest. Each purchase is limited exclusively to its result (according to a specific item of the procurement schedule). Therefore, the society will not be able to understand, and the controller will not be able to assess what the budget funds are planned for, and how a single purchase contributes to the effective provision of public interest.
The above gives the opportunity to consider planning as a result of transformation of public economic interests into public interests through their legal formalization and concretization (goals and priorities). A customer, like any other consumer of the good, is obliged to proceed from the need to direct budget funds to ensure public interest with mandatory monitoring and control of the achievement of the specified (planned) results.

The essence of procurement planning is presented in the legislation on the contract system, but without legal consolidation of this concept and its content. Procurement planning is carried out by forming, approving, and maintaining purchase plans-schedules in accordance with the procedure determined by the Government of the Russian Federation. Thus, the purchase plans-schedules include:

1) purchase identification codes (PIC),
2) the name of the object and (or) the names of the objects of procurement,
3) the amount of financial support for procurement,
4) timing (frequency) of planned purchases,
5) information about mandatory public discussion of purchases,
6) other information determined by the Government of the Russian Federation.

The above allows us to identify the features that characterize the specifics of public procurement planning:

— *universality* (planning requirements should be universal, since public needs are not the needs of one particular economic entity),

— *balance* (in the planning process, public and private interests should be considered and well balanced),

— *bureaucracy* (the customer acting on behalf of the state cannot, at its discretion, react quickly to market changes (make a decision outside the approved algorithm),

— *ensuring public interest* (due to existence of different interests — public, private, or a separate group of persons — it is difficult to assess the degree of satisfaction of the public interest by acquiring benefits for budgetary funds).

According to Article 72 of the Budget Code of the Russian Federation, public procurement is carried out in accordance with the legislation on public procurement. Contracts are concluded on the basis of procurement schedules and are paid within the allocated budget funds.

Thus, the current legislation suggests an exclusively formal connection of procurement planning with budget legislation because of the exceptional need to pay for contracts executed due to the availability of a procurement schedule.

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Public Procurement Planning Elements

The fact that there is no legal definition of public procurement planning suggests paying attention to the essence, content, and signs of planning. The study allows to highlight the following elements of public procurement planning:

— goal setting — the purchase purpose defining the reference point of realization,
— planning depth — the time period for drawing up a plan,
— accounting and coordination of public and private interests,
— adaptation — operational change of the procurement plan due to the external factors impact,
— freedom of discretion — discretion of powers of officials responsible for planning, and financial support of public procurement.

Competent planning of public procurement, considering comprehensive and full-fledged financial support, not only strengthens its regulatory impact and effective expenditure of budget funds, but also enhances public confidence in the state.

The main target of goal setting is to conform the goal of planning both for each purchase individually and for all purchases collectively to public interests. A while ago, I.H. Ozerov noted that the financial policy plan dictated by the requirements of financial science often remains only an ideal, since strong interests of different groups invade practical politics and force politics to deviate from its ideal, which makes it motley, unstable, and going against science intentions (Ozerov, 1911:3).

R.O. Khalfina drew attention to the need for a combination of multi-level goals. She noted that “the private, current goals of the management cycle should correspond to the general and long-term goals set up at a higher level. A specific goal of the management cycle, often expressed in precise numerical and subject definitions, should serve to implement the goals of a higher level of the ‘goal tree’” (Khalfina, 1988:84).

Obviously, with this approach, the legal regulation of financial support for public procurement should initially include both the general purpose of procurement planning and the goals of planning each purchase. For example, due to a significant delay in the capital construction of a hospital building, it is impractical to purchase furniture, expensive equipment, etc. without changing the originally planned terms, cost, and conditions for fulfilling contractual obligations. It is necessary to take into account the additional costs of logistics, storage and other foreseeable risks.

Therefore, effective solutions in terms of financial support for public procurement are solutions that correspond to both the overall goal of the procurement schedule and the goals of each purchase. This confirms that in the absence of a clearly formulated and consolidated set of goals in the plan, the plan loses its legal force and is not subject to financial support.

There are no clearly defined planning objectives in the procurement legislation. The analysis of regulatory legal acts regulating the public procurement and the norms of financial legislation provides an opportunity to compare the purpose of procurement planning with the objectives of budget planning. As a result, we get that procurement...
planning is designed to properly ensure public interest (the need for goods, works, and services beneficial to society). Consequently, procurement planning is not aimed at satisfying the private, spontaneous interests of individual officials (the customer) or other officials responsible for budget funds allocation.

Since the public interest is expressed in the form of specific goals and serves as their source, procurement planning is always carried out exclusively in the public interest. The latter cannot be directly stated as a planning goal, since it has an expression in the form of a public need for goods, works, and services.

The “planning depth” concept allows to determine the boundaries of time, needs and financing, the limits of which the customer may not violate. The depth of planning is a guideline for setting specific tasks, ensuring full implementation of the procurement plan, and confirming the axiom that “spatial and temporal parameters are integral elements of law” (Rybakov, 2010:81—85).

Such time horizon, which depends entirely on the ability of the customer to predict, indicates the limits of the rights and obligations of the latter, as well as the authority responsible for the financial support of purchases.

On the one hand, a long planning period for the future always increases the risks of incorrect planning, which can be minimized by making an initially optimal decision to achieve the set goal but not the subsequent control. The consequences of a deliberately unfair decision of the customer to plan the purchase of specific goods, works, and/or services in the determined amount and at marginal cost may be irreversible. For example, in the current version of Law No. 44-FZ there are no rules on risk assessment in calculating initial (maximum) contract price (IMCP) and risk management of long-term and expensive purchases; this significantly increases the risks of the contractor. The inability to respond promptly and flexibly to risks by changing the contract leads to the failure of timely and duly fulfillment of contractual obligation.

On the other hand, there is always a possibility of significant errors in planning or impossibility of implementing the approved plan in the future. The plan is an important element of the customer’s goal setting. The plan must be approved and put into operation if there is a real possibility of its implementation at the time of its formation and approval.

The norm of Article 72 of the Budget Code of the Russian Federation establishes that the depth of public procurement planning, except for cases directly established in the Budget Code of the Russian Federation, is equal to the validity period of approved financial limits (the next financial year and planning period). It turns out that a customer is formally limited to a 3-year purchase planning period but will enjoy goods, works and/or services purchased under the contract for a long period, additionally incurring costs (maintenance, operation, spare parts, materials, etc.). The customer cannot take these costs into account in the current public procurement plan for a clear formation of the public need and the costs of its implementation. Taken together, this does not allow for effective use of budget funds, since it is impossible to consider the cost of owning a good beyond this period in the plan.
For example, a planned purchase of diagnostic equipment by a laboratory must necessarily provide for a prospective planning of a number of purchases of services for maintenance and operation, software updates, purchase of consumables, etc. This is possible only with allocation of an additional amount of funding that was not previously provided for this customer, or a reduction in the volume of other needs that will be determined as secondary.

In the process of studying the financial support of public procurement, we have established the following dependence: budget planning (the amount of budget expenditure) depends on the quality of procurement planning (proper determination of the object of purchase and its cost), and procurement planning (the number of changes per year or for the entire period) directly depends on the quality of budget planning (the amount of budget revenue), including the timely provision of targeted subsidies allocated under federal or regional programs, and/or national projects.

This conclusion is confirmed by the arguments of Yu.V. Arbatskaya, who believes that the state can provide financing for any of its expenses, but such expenses must be planned on a single reasonable basis (Arbatskaya, 2003:13—14).

The revealed dependence indicates the need to improve the quality of procurement planning by increasing the depth of planning. It allows to reflect in one document not only the cost of purchased goods, works, and/or services, but also the forecasted cost of ownership of the fulfilled contractual obligation result. This indicates the need to integrate public procurement planning into the budget process.

The development of legal regulation of procurement history has shown a gradual evolution of planning from the usual register of necessary goods, works, and/or services through an attempt to introduce a revolutionary two-level planning (three-year procurement plan and one-year procurement schedule) to a single procurement schedule for the next financial year and planning period (analog with budget planning). Despite the fact that evolution of planning has passed from departmental processes to placement of public procurement plans on the Internet for free access and familiarization, we believe that the three-year limit of public procurement planning should be revised upwards, for example, for a medium-term period of 3—5 years or a long-term period of over 5 years.

Planning is a management solution, and any management is a purposeful activity. Note the main difference: for current planning, goal setting occurs from the present to the result in the future, and for prospective (long-term) procurement planning, a “reverse movement” is assumed from the future (the formation of a specific goal) to the present (formation of a need with subsequent individualization and determination of the total cost).

That is why the “reverse movement” from the goal to the plan reduces the uncertainty of the future and assumes setting a goal as the main and legally significant element of public procurement planning. Prospective procurement planning does not involve extrapolation of the past or present as a basis; it is a management decision to implement a public need (including the fulfillment of a state task by a budgetary or state-owned institution). Prospective procurement planning is the modeling of a
specific procurement goal (obtaining a specific benefit in the future), based on the optimal requirements to goods, works, and/or services and their financial support.

The Constitutional Court of the Russian Federation expressed clear and convincing position on the matter: “The Constitution of the Russian Federation binds to create the most favorable conditions for a market economy both by directly regulating state impact and by stimulating free economic activity based on the principles of self-organization, balance of private and public interests, corporate interaction and cooperation, in order to develop a state economic policy that meets the interests and needs of society”.4 The projection of this position on public procurement leads to the question of sufficiency of the “depth of planning”, a significant part of which is limited to one, maximum three years. From our point of view, public procurement planning for one to three years cannot ensure public and private interests.

We believe that increasing the depth of procurement planning will minimize possible manipulations of the customer with regard to goal setting, formation of public needs by specifying the number of goods, amount of work or services and their cost. The prospective need of the customer based on all indicators, including forecasts for financial costs currently attributed to different periods, will be summarized in one planning document determining the amount of necessary financial support.

Thus, a public procurement plan for a longer period (a prospective procurement plan) can become the basis for forming a draft budget in terms of expenses for public needs. The prospective procurement plan will contribute to a qualitative change in the customer's need for financial support, putting to a new level with the possibility of prolongation, forecast changes (adjustments) of procurement goals, exhaustive control, and comprehensive evaluation of results taking liability measures against officials who did not ensure the achievement of the goal. Therefore, the deadline for procurement planning should not coincide with the time frame of the budget law; the budget adjustment will form the ground for making appropriate changes to the prospective procurement plan.

We emphasize that we propose to increase the timing of procurement planning, but not financial planning with actual “convergence” of the executive and legislative authorities! Longer financial planning period (more than one year) was previously proposed by M.I. Piskotin with the aim to form the necessary flexibility of budget policy (Piskotin, 1971:25). The three-year time limit of financial planning is sufficient and optimal. Longer term may affect accuracy and reliability of financial planning, especially during inflation or other crisis situations, the result of which leads to a forced reduction of financial planning period.5

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Planning, as a result of management decision, may contain certain risks, whose implication and harm may initially be unknown. Therefore, legal regulation of prospective procurement planning should provide expert assessment of possible consequences both at the stage of plan preparation and after its approval. Moreover, the results of the expert assessment should be in the open access for public scrutiny and comments (feedback). This will allow to determine the degree of compliance of customer’s actions with public interest, identify the circle of interested persons, and ensure adopting an optimal decision to secure public interest in the process of effective expenditure of budget funds.

It is necessary to develop and legalize norms defining the procedure and criteria for expert evaluation of a prospective procurement plan at the stage of its project and after approval. It is essential to take into account the consequences of an operational change in the project or plan (if necessary); liability measures to officials who did not provide the proper result according to the original goals or demonstrated inefficient use of budget funds must also be considered. Expert evaluation is proposed to be carried out by authorized bodies, mainly independent, and on a voluntary basis such as public organizations.

*Consideration and coordination of public and private interests* are expressed in a clear and adequate definition of the customer’s needs, as well as in the relationship of the procurement plan with the budget. The public interest is expressed by the actions of the customer’s officials and confirmed by a multi-stage agreement in terms of financial security. In Russia, over the years, a concept has been formed according to which participation of all interested parties in decision-making means that the decision was made in the public interest. We strongly disagree with this approach. It does not provide for personal and full financial responsibility of officials for decisions resulted in additional and unjustified budget expenditure.

In foreign countries, in the process of planning and financial support of public procurement, special attention is paid to the protection of the rights of each individual and fair compensation to everyone whose rights are violated (Campbel H., Marshall R., 2002:178; Carvallo J.P., Sanstad A.H. & Larsen P.H., 2019:4—15; Patrucco, A.S., Luzzini, D., Ronchi, S., 2017:229—269). For example, the importance of public procurement planning in Brazil is fixed in the legally established procurement requirements, in procurement planning documents and institutional planning documents (strategic and master plan) (Barboza L., Cysneiros Filho G., De Souza R., 2016:229—238).

The above once again confirms the need to identify all interested parties (do not forget that a wide range of persons is limited to a single public interest) and reasonable consideration of their interests in the planning process, including based on expert assessment and search of a possible alternative solution.
Otherwise, a responsible official seeking to act in the public interest in terms of the public need for certain goods, works, and/or services may infringe on the interests of a certain circle of persons. Therefore, the customer must define priorities as clearly as possible and by his actions realize the interest of the public majority, while minimizing the infringement of other persons interests (maintaining balance).

Multiple external factors affecting implementation of public interest obliges customers to respond promptly and duly, including by changing the procurement plan and procedure for financial support (adaptation). Planning is carried out in dynamics so legal possibility of such operational changes in the planning and financial support of procurement, considering the discretion of authority provided to officials, is an important component of the concept of legal regulation of financial support for public procurement.

The importance of adapting a prospective procurement plan lies in the possibility of operational adjustment of conditions and characteristics of the plan items (up to their exclusion due to loss of relevance), initially established in the conditions of future uncertainty. All changes in external and internal conditions must be promptly taken into account, both during draft prospective procurement plan preparation and approval, and during its realization. At the same time, partial changes are not allowed without a comprehensive revision of the prospective procurement plan.

Discretionary powers (discretion) of officials responsible for planning, financial support of public procurement should ensure the effective implementation of legal relations in terms of planning. It should be noted that such legal relations arise both in the process of preparing (developing) a procurement plan and in the process of its implementation.

As a common negative example of discretion, one can cite the inability (unwillingness) of many customers to predict the required number of goods and amount of work, and/or services. As a result, the customer, having some idea of the required quantity (volume) needed, splits the purchase into several separate operations that involve additional costs of “procurement service bureaucracy”.

**Public procurement prospective planning**

The identified elements of public procurement planning allow us to formulate the author’s definition of a long-term procurement plan. A prospective procurement plan is an independent document approved after allocation of budget funds; it ensures management decisions implementation within the framework of goal setting and synchronization of public and private interests for medium-term (3-5 years) and long-term (over 5 years) periods.

Customer’s structural units prepare request forms for necessary benefits to generate the total cost estimate. The body that provides financial support to the customer correlates the latter’s requests (planned expenses) with planned revenues (funds allocated from the budget) and makes appropriate adjustments. The agreed estimate is the basis for prospective procurement planning by the customer.
Availability of a prospective procurement plan, from our point of view, will ensure:
— setting up indicators, as well as public interest implementation timing in strict relation to financial security,
— developing the system of the main goals and objectives of the customer's procurement within the framework of public interest implementation,
— unifying methodological approaches in terms of addressing problems within the framework of public interest implementation,
— operational concentration of limited material and financial resources of the customer to address unforeseen problems within the framework of public interest implementation,
— possibility of additional attraction of extra-budgetary funds, funds of interested economic entities and other attracted funds of potential domestic and foreign investors,
— full implementation of financial, departmental, and public control in the process of establishing goals and objectives to ensure public interest at the expense of budgetary funds.

The draft prospective procurement plan is aimed at expressing public interest in the form of public need for specific goods, works, and/or services requiring financial support from the appropriate budget. It provides goal setting, which, in fact, forms an integral part of budget expenditure planning, because there are no expenses without a goal.

The targeted nature of the use of budgetary funds was first indicated by P.M. Godme; he divided expenditures into neutral (not affecting social and economic conditions due to state non-interference in the economy) and active (the high role of budgetary funds due to state intervention in all spheres of activity).

Currently, considering high proportion of state intervention in the national economy, active government spending can pursue political, economic, social, and other goals (Povetkina, 2015:16—22).

The customer must prepare the draft prospective procurement plan with respect to the principle of resource security determined by the system of national economic planning, as well as customer rationing policy; their planned needs are designed to ensure the implementation of certain functions and state tasks but must be economically feasible and reasonable (financially prudent). The above restrictions must be taken into account; otherwise, the customer’s needs may be recognized as unreasonable, and budget costs of such procurement plan excessive. Consequently, in the process of reviewing the draft of the relevant budget, they will be rejected or significantly reduced. Mandatory rationing of the customer’s needs for goods, works, and/or services will contribute to higher efficiency of budget expenditures and, as a result, to their overall reduction.

Rationing can be established by quality, quantity (volume), and marginal cost of goods, works, and/or services.
Initially, to effectively plan budget expenditures and determine budget estimates indicators, the federal state institutions approved Methodological Recommendations.\(^6\) According to these recommendations the costs directly related to public services rendering, as well as the costs of maintaining the property of federal state institutions, were subject to mandatory rationing.

The quality of cost planning depends on the availability of reliable and exhaustive information necessary for their calculation. In this respect, the customer should clearly understand the size of prospective expenditures for public services rendering, have all the data available for maintaining movable and immovable property and follow a single methodology for accounting these costs.

In order to simplify, unify, and justify public needs requiring financial support, executive authorities in the early 2000s began to form national projects/national programs reflecting the public interest. These programs will enjoy appropriate financial support and customers will receive the necessary data to minimize the risks of prospective procurement planning. In fact, transition from cost management to results management in budget expenditures planning did not lead to tangible results in public procurement planning, which customers continued to carry out with minimal perspective of implementation timing, and without considering possible risks.

Planning is aimed at minimizing risks, therefore, the procedure, form, and requirements for preparing a draft prospective procurement plan should be developed jointly with scientists. It is a mistake to accept plans only based on the opinions of politicians and officials. For example, the mandatory draft of a long-term procurement plan speaks about secondary nature of the budget. Earlier, D.L. Komyagin rightly pointed out that budget expenditures and revenues are predetermined by previously accepted obligations and legal acts, but budget parameters should be determined by strategic plans. The scientist suggests solving this ambiguity with the help of budget policy: “...if we shift the beginning of the budget process from the budget message to commitments, which should not only be linked, but should also flow from state strategic plans, this will require a clear legal procedure for coordinating obligations with strategic plans. At the same time, some principles of strategic planning concerning formation of budget expenditures and revenues, and criteria for admissibility of sources of budget deficit coverage should be fixed” (Komyagin, 2012:17).

**Public procurement prospective planning and “digitalization”**

Russian scholars have already noted the results of the impact of budget legislation on public administration in the context of digital economy development (Tsindeliani et al., 2019:17—27).

\(^6\) Order of the Ministry of Finance of the Russian Federation No. 137n, Ministry of Economic Development of the Russian Federation No. 527 of 29.10.2010 “On methodological recommendations on the calculation of regulatory costs for the provision of public services by federal state institutions and regulatory costs for the maintenance of property of federal state institutions” (expired from 01.01.2016).
The large-scale application of digitalization in the process of long-term procurement planning will contribute not only to the effective provision of public interest, but also to rational use of budget funds. “Digitalization” can provide for:

— identification and generalization of all customer needs,
— communication of responsible officials,
— complete exclusion of repeated (duplicate purchases),
— logical sequence of purchased and implemented works (pipe repair, asphalt laying, road surface marking),
— timely complaints and warranty repairs.

We share the established position: any detailing of the procurement plan should be carried out with respect to economic feasibility and selected planning horizon with the help of digital technologies (Keshelava et al., 2017:27). Digitalization in the planning process helps to choose the best price, deadlines for fulfilling obligations, and other necessary parameters from the proposed data array. Digitalization organizes information, including financial; it systematizes and analyzes information.

O.N. Gorbunova was the first to draw attention to cybernetic (digital) communications (technologies) in financial (budgetary) relations. She asserts that using computer technology in calculating budget for income and expenses, as well as forming a state plan allows to calculate to what extent and where it is more necessary to direct budget funds (Gorbunova, 2003:6—35). In modern budget conditions, it should be understood not as classical planning but as a dynamic system with real-time feedback. This system will monitor the “plan-fact” at all stages of budget implementation, make accurate forecasts considering all budget receipts, as well as respond to deviations and optimize daily, monthly, annual and other kinds of plans with the view of changing needs in real time. A fundamental decision on the necessary details of planning in the real economy (public and private sectors) should be made with respect of the economic feasibility and selected planning horizon (Keshelava et al., 2017:26).

In the future, as part of digitalization of the new concept of public procurement, it is necessary to develop forms and means that will minimize the role of the human factor. For example, the cost of construction of facilities for the Winter Olympics in Sochi was originally planned at 314 billion rubles. Later, the price repeatedly increased. It was possible to foresee this at the planning stage, subject to engaging a wide range of specialists, as well as integrated digitalization of the process.

“Digitalization”, including its functionality (both positive and negative), is currently insufficiently studied. This does not allow now to declare the exceptionally positive effect of its use in the prospective planning of public procurement unequivocally and categorically. Minimization of the “human factor” in the process of digital prospective procurement planning can be leveled, for example, by “interference in digital content” of distorted software, hacker attacks, etc.

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7 See: The cost of the Sochi Olympics has exceeded 1.5 trillion rubles. Available at: http://www.rbc.ru/economics/04/02/2013/570402f9a7947fcbd44546d [Accessed 10th October 2021].
Public Procurement Planning and Budgeting Process

In general, legal relations associated with prospective procurement planning precede budget planning for the new budget period and budgetary legal relations, as well as others — tax, customs, insurance, banking, etc. That is why procurement planning should be maximally integrated into the system of the budgetary process and resource supply of the country, or a separate entity. This presupposes the presence of key components that must be taken into account in the system of legal regulation and financial support.

Based on the foregoing, it seems appropriate to divide legal relationship arising in the process of planning public procurement into two stages:

— the stage of development and approval of the draft prospective procurement plan,

— the stage of approval and implementation of a prospective procurement plan.

At the stage of development and approval of the draft prospective procurement plan, the goals of the customer are determined and specified, considering the prospect of resource provision and rationing, as well as customer’s functionality, including the draft state assignment, and priorities of the planned costs are determined according to the general goal setting. Moreover, at this stage, the draft prospective plan must be placed in the public domain, not only for control bodies, but also for free access of the public.

Both the controllers and representatives of the public should have the opportunity to submit their comments and suggestions, which can subsequently result in appropriate changes and adjustments in terms of cost and content of public procurement and to ensure public interest by a specific customer.

It is necessary to immediately shift the focus and attention of all control bodies from the procedural part to preparation and planning of public procurement, since the procurement procedure is just a process of implementing what has been repeatedly agreed and approved by many officials. The identification of inappropriate purchases or “luxury purchases” with subsequent “exposure” and termination should not be the completion of control. It is necessary to hold accountable all officials who initially admitted this inappropriate procurement in the plan, as well as in terms of its financial support during the relevant budget draft preparation and its subsequent approval.

The expediency of the purchase is the ability of the customer to prioritize in order to ensure public interest. Otherwise, it may mean that at the end of the financial year, the result paid for from the budget under the contract will not meet the needs of the customer or will not provide public interest. For example, one healthcare institution demonstrates excessive amount of medication (lack of demand, purchase of new drugs still having the early purchased), in another there is a shortage requiring prompt purchase of medication.

Budgetary institutions, even within the same department, cannot independently transfer medicines among themselves as inventory items. The Chief Administrator of Budgetary Funds (CABF) under Article 158 of the Budget Code of the Russian
Federation is authorized to approve state tasks but is not authorized to control the use of goods, works, and services purchased by a subordinate customer. As a result — in the first institution — there will be the disposal of unclaimed drugs after the expiration date, in the second institution, additional budget expenditures will be required for the purchase of the necessary amount of medicines.

Responsibility for the expediency of each specific purchase should be imposed on both the customer official who developed the draft procurement plan poorly and inefficiently, and the CABF official who approved this project and authorized its financial support. This confirms our argument that procurement planning is an indicator of functioning of a well-established system for converting state resources in the form of budgetary funds into public interest in the form of public need of goods, works, and/or services. Public procurement planning allows to determine the needs of the customer, legal means and instruments for procurement, amount of financial support, and terms and procedure for payment of contractual obligations.

Thus, at the planning stage, any interested person can determine the purchase rationality (objectivity of the customer’s needs and fairness of the IMCP calculation), compliance with public interest, including financial security, as well as assess the real possibilities of full and timely fulfillment of the contractual obligation.

Currently, there is a low level of interconnection between the budget process and procurement planning, which entails inefficient expenditure of budget funds and low level of contractual obligations fulfillment (Fig. 1).

We explain this, first of all, by the lack of necessary understanding of the problem of rationing the customer needs at the level of legislator, including the connection of the need with the real financial, economic and socio-political state of society. This can also be explained by the absence of a legally established procedure for the IMCP formation, justification, and calculation specified in the procurement schedule.

**Fig. 1. General diagram of public procurement organization and budgetary process**

It is appropriate to cite the position of I.Y. Ivliev, who, considering the system of allocating inter-budgetary transfers from the federal budget, pointed out as the main
drawback that “the share of expenditures of the subjects of the Russian Federation in the volume of the consolidated budget of the country is calculated based on the actual volume of their expenditures on their powers implementation in the previous period. Such approach does not consider that much more funds are needed for the fulfillment (but not for declaration) of obligations than they are actually spent” (Ivliev, 2010:27).

The main problem of rationing is to determine the conformity of the customer’s needs in the acquired good in fact, especially in terms of its connection with the real financial, economic, and socio-political state of society in order to avoid inappropriate expenditure of budgetary funds. This problem has not been solved at present, despite several federal regulatory legal acts as well as acts in each of the constituents of the Russian Federation.8

In the course of testing the hypothesis of formation and justification by IMCP customers, we conducted a survey.9 The survey showed that the majority of contract service employees (contract managers) of customers form IMCP based on the allocated amount of budget funds. In case of a decrease in funding, the volume of demand decreases. However, with an increase in the amount of financial security, including savings received as a result of other purchases, the customer, as a rule, does not increase the volume of demand due to rationing restrictions, but improves the quality of the purchased good. This is due to the fact that the customer’s savings within the framework of financial (budget) control are perceived not as the result of the customer’s high-quality work aimed at saving budget funds, but as actual “non-fulfillment of the budget”.

We are strongly against the IMCP dependence on the allocated budget funds. This approach allows customers to plan the purchase of goods that are not conditioned by rationing, the cost of which is significantly higher than the market, since it is calculated without considering the functioning market conjuncture. The current regulatory legal acts, which have a significant number of reference norms in terms of IMCP planning and determining, do not provide for a full and comprehensive regulation of the identified problem. At the same time, procurement planning should


9 Author’s note: The author conducted an anonymous survey of contract service employees (contract managers) of 50 customers from different constituents of the Russian Federation regarding the specifics of the IMCP formation and justification.
depend on the budget process since the purchase can be carried out only if there is financial support. It is necessary to reconsider the essence of the “non-fulfillment of the budget” concept and exclude the cases of justified cancellation of the purchase or refusal of the customer to carry out previously planned purchases, including non-use of savings received in the procurement process.

Our position fully coincides with the previously expressed point of view of R.K. Arykbayev, who rejects the direct dependence of the IMCP calculation on the size of the budget allocated to the customer for public procurement. The price is an economic instrument of monetary expression of the product value; it is a subjective cost instrument of the customer, by means of which the necessary level of satisfaction of public needs is achieved. At the same time, IMCP is designed to ensure an adequate ratio of the minimum acceptable level for performers of the product real consumer value with a clear functional relationship with its quality parameters, concerning the risks associated with contracts execution and the costs of conducting competitive procedures (Arykbaev, 2010:28).

This confirms that in order to increase the efficiency of financial support for public procurement, it is necessary to create a unified digital price monitoring system that provides for an analysis of market prices and conjuncture, both in the functioning market and based on the results of fulfilled contractual obligations within the framework of public procurement. The formation of a single digital database of prices (actual, reference, statistical, etc.) with the possibility of automatic use of various coefficients (territorial, functional, etc.), including the dynamics of prices for the period, allows to reasonably set IMCP. This contributes to the correct forecast of the customer’s needs and calculation of the necessary financing.

When establishing an IMCP, customers need to maintain balance that ensures the ratio of the price of products acceptable for the business entity, its consumer value and quality with the risks associated with contractual obligation fulfillment, as well as costs of the customer for the purchase.

**Results**

Planning helps both the customer and the business entity in solving problems by concentrating resources (material, financial, production, labor, etc.) in priority areas.

The importance of planning lies in the fact that it is designed to ensure the effectiveness of management at all stages of public procurement, including management decision-making. Public procurement planning with all its elements is designed to ensure, first of all, the goal setting, without which the management and financial support of procurement will become spontaneous and unpredictable, and budget expenditures are accepted without focusing on results. Planning begins after determining and identifying the customer’s need for a specific good, calculated in strict accordance with the applicable regulatory legal acts.

Procurement planning is an indicator of functioning of a well-established system for converting state resources in the form of budgetary funds into public interest in the form of public demand for goods, works, and/or services.
It is proposed to identify the following main elements of public procurement planning: goal setting, depth of planning, consideration and coordination of public and private interests, adaptation, and freedom of discretion.

It is necessary to determine the following priority elements of public procurement planning: goal setting, result and cut-off horizon (by analogy with state budget planning). It is possible to implement this through prospective procurement planning introduction, which will provide an opportunity to control all stages of procurement, including the quality of the fulfilled contractual obligation and payment of its result.

The prospective procurement planning is proposed to be understood as an independent document approved after allocation of budget funds is completed; it ensures implementation of management decisions within the framework of goal setting and synchronization of public and private interests for medium-term (3-5 years) and long-term (over 5 years) periods.

Thus, prospective procurement planning is synchronization of public and private interests, integrated into the system of budget process and into the resource supply of a country, or a separate entity. Since the purchase of goods, works, and services at the expense of budgetary funds indirectly affects the economy, public procurement becomes a reference point for entrepreneurs to form proposals and mobilize efforts (purchases should be economically interesting, but moderately profitable, that is, without excess profits).

Prospective procurement planning should not only be associated with all stages of the budget process, but also legally included into the context of drawing up a cash plan when forming a forecast of transfers from the budget to pay for fulfilled contractual obligations in relation to the term and amount of monetary obligations. Planning expenses for the future period with subsequent payment of fulfilled contractual obligations undergoes through all stages of the budget process. Planning helps in solving the most difficult task, that is, reducing the human factor in the process of financial support for public procurement.

Conclusions

Prospective procurement planning will allow accumulating all the necessary needs of customers, including the costs of their purchase, and creating the basis for a new innovative formation, lean concept of financial support for public procurement.

Despite the insufficiency of research into the essence of “digitalization”, we believe that applying “digital” technologies in the process of budget planning and prospective procurement planning can ensure transparency of budget spending, as well as public control over the process of purchasing and paying for goods, works, and/or services at the expense of budget funds. That is why Chapter 18 “Information support of the budget process” was introduced in the draft Budget Code of the Russian
Federation; it consists of five articles (170-174.1) and aims at ensuring transparency of budgetary relations. At the same time, Article 174 “Public Information Resources” provides additional requirements for the integrated portal of the budget system functioning: composition of information, procedure for providing, etc.

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