

**ECONOMIC DEVELOPMENT OF REGIONS DURING REFORMING THE
CONSTITUTIONAL AND LEGAL MODEL OF POWER DELINEATION IN
RUSSIAN FEDERATION**

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ABSTRACT

According to the Russian Federation Constitution, all constituent entities have equal rights. However, equal rights are not synonymous with equality. Equal rights mean legal equality only; in other meanings, they differ significantly from each other. However, the territorial, demographic, and some other differences of the constituent entities of the Russian Federation are the results of objective reasons and in general, do not have an effect on the quality of life of the Russians living there. The economic differences have more serious consequences. The article makes and attempts to examine the possibilities of economic independence increase in the constituent entities of the Russian Federation. The authors state that the currently existing model of power delimitation is based on the consolidation of the main powers of the federal authorities, while the constituent entities of the Russian Federation are mainly entrusted with financially-intensive powers, which are not always provided with the necessary resources. This matter allows the federal center to accumulate significant financial resources with their subsequent distribution across regions, often following subjective and non-transparent

criteria. In addition, the authors propose the measures to change this situation, in particular, an assessment of power implementation effectiveness at a specific level of power; the ensured provision of the constituent entity powers of the Russian Federation with the necessary resources; use of the system of minimum state social standards.

Keywords: *budget revenues; differentiation of powers; Interbudgetary transfers; minimum state social standards.*

1. INTRODUCTION

According to the Ministry of Finance of the Russian Federation, during 2021 the difference in the estimated budgetary provision of various Russian Federation's constituent entities after the distribution of subsidies for its equalization was 0.641 for the poorest region (Kabardino-Balkarian Republic) and 2.946 for the richest one (Moscow) - that is, more than 4.5 times. This situation already entails different possibilities for the implementation of the constitutional rights of citizens (primarily social), depending on their place of residence. After all, this indicator determines how many and the level of services a specific citizen can get in education, healthcare, beautification, recreation, culture, etc (Butko et al., 2017; Zubarevich, 2021).

Of course, this situation has various reasons, including the size of the territories and the population number in the regions; their industrial potential, the presence of minerals, etc. However, to a large extent, it is associated with the distribution model of the economy that has developed in the Russian Federation, which is expressed in the arbitrary withdrawal of the material resources of the regions by the federal center, from where they return to their places in accordance with the loyalty of the territories and their fulfillment of target indicators set by the center (Lyubashits et al., 2019).

The vertical imbalance in the budgetary system of the Russian Federation (the ratio of federal and regional budget revenues excluding interbudgetary transfers) is about 65:35 (Shavaleyeva et al., 2020). At the same time, the trend of recent years indicates that the share of regional budget revenues from federal interbudgetary transfers is steadily increasing and in some regions it reaches 60%, which indicates their financial autonomy reduction (Fedorova et al., 2018).

At the same time, as the researchers note, the Russian government as a whole is not too interested in changing the current situation, since poor regions are more convenient for

them than rich ones (Sbyrunov et al., 2019). Rich regions are able to pursue a policy which is more independent from the federal center, while the poor regions are more convenient to manage by the redistribution of financial and material resources.

Thus, the federal center is rather not interested in the economic development of the regions. However, its absence leads to stagnation in the economy as a whole; the transition to an extensive model of the country development instead of an innovative one. All this requires a change in the current situation by increasing the economic independence of the Russian Federation's constituent entities (Kolomak & Tat'yana, 2020).

2. MATERIALS AND METHODS

When the article was prepared, various methods of legal science were used: description, comparison, classification, analysis, and synthesis, which were aimed at the determination the current state of legal regulation in the field of delineation of powers between the Russian Federation and its subjects.

3. RESULTS AND DISCUSSION

As was substantiated in our works earlier, the economic behavior of the federal center in the Russian Federation is expressed in four fundamental ways of its impact on the economic situation of the Russian Federation's constituent entities:

- the transfer of financial resources to public entities, the assignment of certain material resources to them;
- the withdrawal of financial and material resources from public entities;
- the imposition of a financial-intensive administrative burden, direct financial obligations on public entities, including the delegation of federal powers;
- the withdrawal of powers from public entities (Medushevsky, 2019).

Accordingly, a change in the economic situation of the Russian Federation regions can be achieved by consolidating the provisions in the constitutional legislation that limit the omnipotence of the federal center to solve the abovementioned issues and (Makogon et al., 2018; Makogon et al., 2019), at the same time, the provisions that allow the state authorities of the constituent entities of the Russian Federation to defend their interests at the federal level. In this regard, the following main trends can be distinguished.

The distribution of powers between the state power bodies of the Russian Federation and the state power bodies of the Russian Federation's constituent entities should be based on an assessment of the level of power at which these powers can be exercised most effectively.

At present, there is often a situation in the Russian Federation when powers are transferred from the federal to the regional level of government without the financial resources necessary for their implementation or with insufficient resources (mainly in the social sphere). While implementing such a policy, the federal authorities pursue two goals simultaneously:

- a) on the one hand, they relieve themselves of a number of financially intensive powers, while accumulating significant financial resources. This makes it possible to shift the burden of responsibility for the failure to implement unfunded mandates onto the regional authorities, together with the corresponding political risks for the latter;
- b) on the other hand, if the federal center finances such powers, then this is done by various transfers from the federal budget to regional budgets, the distribution of which between the Russian Federation's constituent entities is often subjective.

Thus, the financial dependence of the regional authorities on the federal authorities is achieved and, accordingly, the political and administrative loyalty of the former to the latter. Besides, in this situation, regional authorities develop a kind of "transfer dependency": they rely too much on transfers when making budget spending decisions (Rodden, 2003).

In fact, when delimiting powers, the federal center is far from always guided by the expediency of assigning powers to a specific level of government in terms of analysis at which level (federal or regional) they can be implemented more effectively. Besides, the subjects of the Russian Federation are often delegated those powers which are associated with the adoption of various measures that are unpopular for the population. A striking example of this kind is the situation with countering coronavirus infection (covid-19), when decisions on the introduction, extension or removal of restrictive measures were transferred to the regional authorities, despite the certain legal doubtfulness of this approach (Chikhladze & Larichev, 2019).

Thus, it can be seen that the current model of the delineation of powers between the federal center and the regions of the Russian Federation is based on a political rather than an

economic or administrative component. It seems that this practice can be overcome by analyzing the feasibility of assigning specific powers to public authorities of various levels to determine the level at which they can be implemented most effectively from the standpoint of provision the rights of citizens.

Of course, even if the aspects of efficiency are at the fore to solve the issue of delimitation of powers between the federal bodies of state power and the bodies of state power of the Russian Federation constituent entities, a significant number of powers (including financially intensive ones) will still remain at the regional level.

Accordingly, this will require their financial support, however, at the same time, the main way to achieve it, in our opinion, should not be interbudgetary transfers, but the incomes assigned to the constituent entities of the Russian Federation on a permanent basis; at the same time, the latter should have real opportunities to influence the changes of its financial base. All this requires the adoption of measures to implement the second trend on changing the state policy in the field of delineation of powers.

A balance must be achieved between the powers of the Russian Federation's constituent entities and their financial and material support; at the same time, the constituent entities of the Russian Federation should be able to influence the formation of their own income as the main part of their financial base.

Formally, at present, the Russian Federation's constituent entities have a fairly large (in terms of the number of positions) base attributed to the so-called own incomes. According to the Part 1, Art. 26.15 of the Federal Law "On the General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Russian Federation Subjects" own incomes include the revenues from regional and - partially - federal taxes and fees; from the use of regional property; some fines and transfers from regional development funds.

However, in fact, most of them are the revenues from federal taxes in the structure of the regional own revenues. For example, according to the Ministry of Finance of the Russian Federation, the total revenues of regional budgets amounted to 14,901.2 billion rubles in 2020. Of these, own revenues amounted to 11,125.2 billion rubles, while the gratuitous receipts from other budgets of the budgetary system of the Russian Federation made 3,776.0 billion rubles.

At that, most of the own incomes of the Russian Federation's constituent entities were represented by two federal taxes only - income tax and personal income tax - 7,180.1 billion rubles, that is, almost 65%. This would not be so critical if the Russian Federation's constituent entities had any ability to influence the federal authority decision-making regarding the establishment of federal taxes, the determination of their rates, benefits on them, etc.

However, in accordance with the existing concept of the distribution of powers, these issues are attributed to the exclusive jurisdiction of the Russian Federation (the clause "z" of the Article 71 of the Russian Federation Constitution), thus, the formation and changes of tax legislation regarding federal taxes occurs without the participation of the Russian Federation's constituent entities.

However, with regard to regional taxes, the ability of the constituent entities of the Russian Federation to make decisions on their change is extremely limited. So, the Budget Code of the Russian Federation contains the Art. 59, which regulates the powers of the constituent entities of the Russian Federation to generate income for their own budgets. At the same time, the analysis of their content shows that they relate only to the powers in the field of taxes and fees and contain the norms referring to the legislation on taxes and fees.

At the same time, when establishing regional taxes, the state authorities of the constituent entities of the Russian Federation determine such elements as the tax rate (within the limits established by the federal legislator), as well as the procedure and terms for paying taxes. Besides, regional authorities can establish the specifics of the tax base determination, introduce tax benefits, the grounds and procedure for their application. As for all other elements of taxation, they are determined at the federal level only. Thus, the following task is on the agenda: securing a greater volume of powers in the sphere of independent provision of their own base for the constituent entities of Russia.

Considering the models of the budgetary and tax structure that have been developed in world practice (competitive, cooperative and decentralized), the decentralized model seems to be optimal for the Russian Federation, a feature of which is the significant financial independence of the public entities that are the part of it. Such a model will create the conditions for the development of the financial potential of the regions, increase the efficiency of state authority activities of the Russian Federation constituent entities, create a

system for monitoring the quality and effectiveness of state regional program implementation.

World practice shows that the most effective are the decentralized systems of public power, in which public law entities have real autonomy concerning the formation of their budget revenues (Oates, 2008). This circumstance makes the economic independence of subjects real, and not fictitious in federal states (Martinez-Vasquez et al., 2006).

The redistribution of income through the provision of subsidies to the Russian Federation's constituent entities from the federal budget should be maintained at a level that guarantees the provision of social rights of citizens throughout the country.

Despite the aforementioned, a complete rejection of subsidies and, in general, interbudgetary transfers from the federal budget to the regional is hardly possible, and even inappropriate in the coming years. However, the distribution of interbudgetary transfers should be less subjective and be conditioned by certain indicators characterizing the economic development of each region. This can be achieved, in particular, by fixing the minimum state social standards in the budget legislation, by providing services according to the standards guaranteed to all citizens of Russia, regardless of their place of residence on its territory (Channov et al., 2021).

The presence of federal state minimum social standards will allow the regions not to depend on the "goodwill" of the federal center any longer, but to demand the equalization of budgetary provision to the minimum level determined by these standards via allocation of the necessary subsidies.

4. CONCLUSION

Thus, we substantiated the necessary changes in the existing constitutional and legal model of the distribution of powers between the Russian Federation and its constituent entities. The main goal of these changes is to ensure greater economic independence of the Russian Federation's constituent entities than at present, which should be achieved through the decentralization of federal power. Besides, taking into account the objectively existing differences in the economic potential of the constituent entities of the Russian Federation at the present time, it is necessary to preserve some mechanisms equalizing their budgetary provision.

In this regard, several main areas can be distinguished:

- a) First of all, it is required to analyze the feasibility of the implementation of various powers at a specific level of power. Such an analysis should be comprehensive (that is, it is necessary to assess all the powers currently assigned to federal and regional authorities) and include, in particular, an independent economic examination of their implementation effectiveness.
- b) Secondly, the powers assigned as the result to the bodies of state power of the constituent entities of the Russian Federation must be fully provided with the necessary financial and material resources. At the same time, the main source of their support should be the own incomes of the constituent entities of the Russian Federation in the form of regional taxes and fees.
- c) Third, the subsidies from the federal budget, calculated on the basis of minimum state social standards, should be retained as an additional source for the constituent entities of the Russian Federation with the lowest level of budgetary provision.

5. CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

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