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Financial Support of Regions as a Tool to Equalize Budgetary Security of the Constituent Entities of the Russian Federation

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ABSTRACT

The authors have considered current forms and methods of financial support for the regions in Russia. The dynamic analysis allowed to obtain a comprehensive assessment of the interbudgetary transfers provided by the federal budget for the socio-economic development of the regions in recent years with a view to reducing their economic differentiation and ensuring the implementation of the state regional powers. The methods of economic and statistical analysis were used. The authors conclude that the main form of financial support for the regions of Russia is subsidies to equalize fiscal security. The study proved that the increasing financial assistance in the form of subsidies leads to a decrease of the budgetary support level of the regions. Financial support for the Russian regions in the form of subsidies and subventions has a number of serious shortcomings: the multi-channel financial assistance to the region and the lack of an integrated approach which leads to dispersal and low return on public funds and makes it difficult to control their spending; fragmentation of its provision; reduction of incentives for self-development; difficulty in assessing the amount of assistance needed; refinancing. The identified problems require further implementation of motivation mechanisms for the state authorities of the constituent entities of the Russian Federation to increase the tax revenues of the regional budget. The article outlines possible ways to form financial incentives for independent regional development. It is proposed to provide the regions with consolidated subsidies. The regions will be able to independently determine the directions for their spending. This will allow for a balanced transition from the state control over spending the subsidies to the control over the results of their allocation.

Keywords: region; interbudgetary transfers; budget security; financial support; fiscal federalism; socio-economic development; grants; subsidies; subventions; regional economics

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INTRODUCTION

One of the most important tasks of a federal state is to equalize the financial opportunities of the regions to guarantee equal rights for social and medical assistance, education and other services by all citizens regardless of their residence.

At present, a differentiation the constituent entities of the Russian Federation is preserved depending on their financial capabilities and socio-economic development. In the Russian context, studying the characteristics of various methods and types of financial support of the constituent entities of the Russian Federation to solve acute territorial problems remains essential.

Let us define the term “financial support of the regions” to consider the essence of the financial support of the regions. It is worth noting that only a few researchers provided a comprehensive definition of this concept in their works. However, they often limited themselves to the goals and objectives of these activities and did not clearly indicate the range of included actions. The definition is also absent in the Budget Code of the Russian Federation (hereinafter, the Code). At the same time, the term is actively used in legal acts.

In general, financial support is considered in the economic literature as the funds transferred from the federal budget to the regional one¹.

Defining the financial support of the regions, N.M. Sabitova refers to all forms of financing the regions from the federal budget, except for direct financing [1, p. 2]. She notes that the concept of financial support is not identical to and is wider than the concept of financial assistance. Financial assistance to the constituent entities of the Russian Federation is a monetary relationship that arises between authorities in the current system of delimiting tax and expenditure powers and methods of budget regulation regarding the transfer of part of the higher budget funds to

the lower one due to the limited tax base of the latter [1, p. 5].

Based on the generalized analysis of scientific literature and legal sources, the financial support of the regions can be understood as one of the aspects of regional economic policy consisting in any provision of funds from the federal budget for the socio-economic development of the region in order to reduce the regional economic differentiation, acting within state regional authority, developing regional infrastructure and forming incentives for independent regional development.

The essence of financial support is manifested to the fullest extent in the current forms and implementation methods. Four main methods of financial support of the regions can be distinguished: gratuitous assistance to regional budgets, redistribution of debt burden, distribution of tax revenues, and targeted financing. Let us learn more about the immediate forms of their implementation.

RESULTS

The Code generally identifies forms of financial support and intergovernmental transfers. *Table 1* presents the main indicators of financial support of the regions in the form of intergovernmental transfers.

Over the past 4 years, the absolute value of interbudgetary transfers as a whole has changed insignificantly and remained almost at the same level. However, the growth rate has been slowly but steadily declining, and a negative increase has already been observed in the last two years. In% of GDP, the reduction is more significant, on average by 0.11% of GDP per year. The highest rate of reduction is demonstrated by “other interbudgetary transfers”, as well as subsidies (–14.06%).

Speaking about the dynamics of interbudgetary transfers in the previous periods, we refer to the study of M.L. Vasyunina: “For 2007–2015, the volume of federal budget expenditures to provide them increased by more than 3.5 times” [2, p. 18].

Thus, the main form of financial support of the Russian regions is grants for equalizing

¹ Federal budget and regions: structure of financial flows. EastWest Institute. M.: MAX Press; 2001.

budget security. The Code envisages for such an institution as the Federal Fund for Financial Support of the Subjects of the Russian Federation. It represents the total grants for equalizing the budget security of the constituent entities of the Russian Federation in the federal budget expenditures. According to the Budget Code of the Russian Federation, grants are understood as interbudgetary transfers on a pro-bono basis without setting uses.

Grants for equalizing budget security are provided to the constituent entities of the Russian Federation whose estimated budget security is below the level established as a criterion for equalizing estimated budget security. The level of estimated budget security of the constituent entities of the Russian Federation is determined in accordance with Article 131 of the Budget Code of the Russian Federation².

The total amount of grants is determined considering the need to achieve a minimum level of estimated budget security of the constituent entities of the Russian Federation³. The minimum level is defined as:

$$\min EBS = \frac{\sum_{i=1}^n BS_i}{n},$$

where BS_i — is the level of estimated budget security of a constituent entity of the Russian Federation before the distribution of grants;

n — is the number of the constituent entities of the Russian Federation not included in the list of 10 constituent entities of the Russian Federation with the highest budget security, and 10 constituent entities of the Russian Federation with the lowest budget security.

² The Budget Code of the Russian Federation of July 31, 1998 No. 145-FZ (as amended on December 28, 2017). URL: http://www.consultant.ru/document/cons_doc_LAW_19702/ (accessed on 19.09.2018).

³ Decree of the Government of the Russian Federation of November 22, 2004 No. 670 (as amended on December 31, 2017) "On the distribution of subsidies for equalizing the budget security of the constituent entities of the Russian Federation" (together with the "Methodology for the distribution of subsidies for equalizing the budget security of the constituent entities of the Russian Federation"). URL: http://www.consultant.ru/document/cons_doc_LAW_86148/ (accessed on 19.09.2018).

In a clear view, the budget security of the regions of Russia in 2018 is shown in the *Figure*.

One of the key factors affecting the amount of financial support of the region in the form of grants is the level of estimated budget security:

$$BS = \frac{ITP}{IBE},$$

where BS — is the level of estimated budget security of a constituent entity of the Russian Federation before the distribution of grants;

ITP — is the index of the tax potential of a constituent entity of the Russian Federation;

IBE — is the index of budget expenditures of a constituent entity of the Russian Federation.

Since the tax potential index (ITP) and the budget expenditures index (IBE) include numerous coefficients, the level of estimated budget security considers many objective conditions for the region's economic activity, such as: the value added created in the region's sectors, the sectoral structure of the regional economy, and the volume of industrial production, tax burden on the economy, remuneration of labor and its differentiation, housing and public utilities costs, price level, population resettlement, transport accessibility etc.

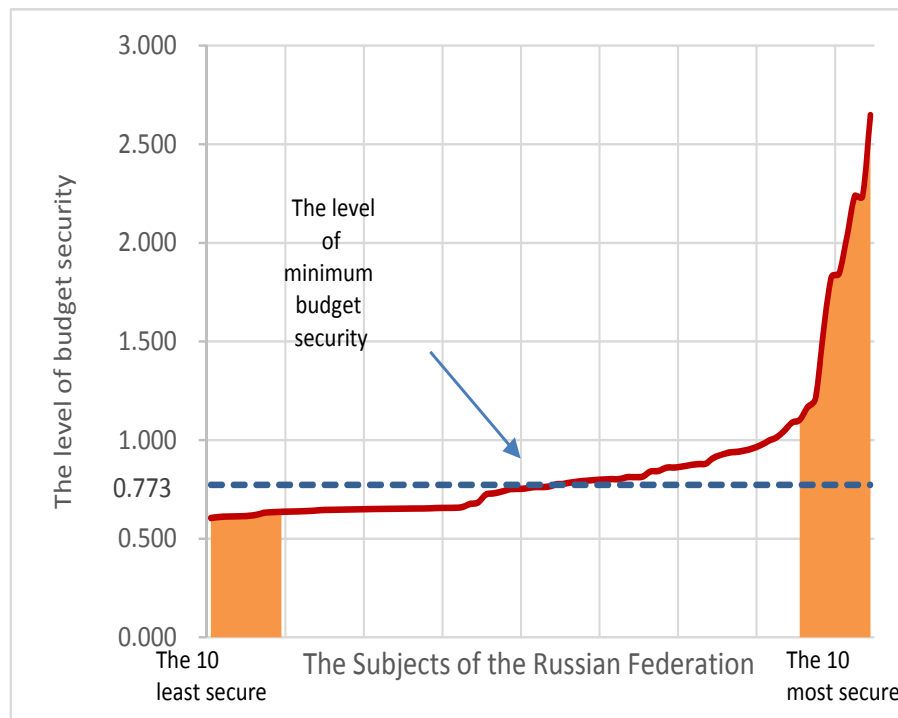
The most granted regions in the Russian Federation in 2018 are the Republic of Dagestan (59 065 832.5 thousand rubles), the Republic of Sakha (Yakutia) (43 944 997.70 thousand rubles) and the Kamchatka Territory (39 357 697.20 thousand rubles).

Note that the amount of grants from the federal budget is increasing (+19.33%). This indicates a significant shortage of the regions' funds compared to the budget expenditures that they could concentrate in their budgets considering their current development level. This is confirmed by the dynamics of the level of estimated budget security in most regions for the same period. 71 out of 85 regions (except the Vologda, Leningrad, Lipetsk, Omsk, Sakhalin, Tula, Tyumen, Ulyanovsk Regions, Perm Territory, Komi Republic, Khanty-Man-

Inter-budget transfers from the Federal budget

| Indicator | 2016 | 2017 | 2018 | 2019 | 2019 as % of 2016 |
|---|--------------|--------------|--------------|--------------|-------------------------|
| Inter-budget transfers, total, million rubles | 1 474 867.00 | 1 533 450.90 | 1 513 075.50 | 1 443 125.00 | 97.85 |
| % growth rate compared to the previous year | 105.59 | 103.97 | 98.67 | 95.38 | |
| in % GDP | 1.78 | 1.66 | 1.64 | 1.46 | |
| as % of total Federal budget expenditures | 8.99 | 9.17 | 9.43 | 9.03 | |
| Including | | | | | |
| Grants | 641 731.20 | 738 263.40 | 754 550.90 | 765 748.50 | 119.33 |
| % growth rate compared to the previous year | 116.53 | 115.04 | 102.21 | 101.48 | |
| % of total amount | 43.51 | 48.14 | 49.87 | 53.06 | |
| Subsidies | 328 931.70 | 349 465.90 | 325 934.40 | 282 677.90 | 85.94 |
| % growth rate compared to the previous year | 108.22 | 106.24 | 93.27 | 86.73 | |
| % of total amount | 22.30 | 22.79 | 21.54 | 19.59 | 87.83 |
| Subventions | 305 993.40 | 307 778.40 | 303 774.00 | 304 425.60 | 99.49 |
| % growth rate compared to the previous year | 99.76 | 100.58 | 98.70 | 100.21 | |
| % of total amount | 20.75 | 20.07 | 20.08 | 21.09 | |
| Other inter-budget transfers | 198 210.70 | 137 943.20 | 128 816.10 | 90 273.10 | 45.54 |
| % growth rate compared to the previous year | 68.26 | 69.59 | 93.38 | 70.08 | |
| % of total amount | 13.44 | 9.00 | 8.51 | 6.26 | |

Источник / Source: данные Росстата и расчеты автора / Rosstat data and the author's calculations.



Budget supply of constituent entities of the Russian Federation in 2018

Source: compiled by the authors on the basis of [4].

siisk autonomous district and Yamal-Nenets Autonomous District) show negative growth rates; 2 out of 85 show zero rates. At the same time, there is a relatively significant increase (more than 10% over 4 years) only in the oil and gas regions — Khanty-Mansiisk autonomous district (20.1%), Yamal-Nenets Autonomous District (10.7%) and Tyumen region (10.3%), as well as Sakhalin (32.6%) and Leningrad (18.7%) regions. In 71 regions, the situation is deteriorating, and in some regions [the Kamchatka Territory (–14.3%), the Republic of Ingushetia (–14.2%), Jewish Autonomous Oblast (–13.98%)] at a rather rapid pace. The largest reduction in this indicator in most regions took place in 2018 compared to 2017.

Based on the above, we can conclude that an increase in financial assistance in the form of grants does not lead to an increase in the level of budget security; on the contrary, it decreases.

Grants as a form of financial support face a few problems. The main drawback is that when the necessary amount of grants is calculated by the established methodology, an

increase in the level of estimated budget security entails a decrease in the volume of financial assistance, both at the first and the second stages of its allocation. Thus, the region has reduced incentives to increase the value added of sectors of the economy, which leads to a decrease in attracting private investment, infrastructure development, provision of tax benefits, etc. However, the level of budget security and, therefore, the tax potential index is the value whose growth should be of interest to the region.

The discussed problems of financial support in the form of grants require introducing mechanisms to motivate the state authorities of the constituent entities of the Russian Federation to increase tax revenues of the regional budget. They can be maintaining the provided amount of grants during the next financial year after the level established as an equalization criterion is reached, or gradual reducing financial assistance considering planned indicators for the region's development. It is necessary to create a system of increased requirements in terms of efficiency

and effectiveness of the use of budget funds to the regions that receive financial support and do not demonstrate the growth of the regional economy [3–5]⁴.

Today, there is some ambiguous understanding of grants used in legal acts. Articles 129 and 131 of the Code include only grants for equalizing the budget security of the constituent entities of the Russian Federation in this form of financial support of the regions. They do not suggest any other interbudgetary transfers from the federal budget in the form of grants (except for equalizing budget security). In fact, besides grants for equalizing budget security there are other types of grants. Federal Law dated December 05, 2017 No. 362-FZ “On the Federal Budget for 2018 and for the Planning Period of 2019 and 2020” provides for such types as grants for partial compensation of additional expenses for increasing the remuneration of public sector employees and other purposes to the budgets of the constituent entities of the Russian Federation and the budget of the city of Baikonur for 2018, grants for partial compensation of additional costs expenses for increasing wages of public sector employees, grants to support measures to ensure the balanced budgets of the constituent entities of the Russian Federation. Considering their allocation, we can also identify grants for stimulating the development of the tax potential of the regions, grants for partial compensation of lost revenues of the budgets of the constituent entities of the Russian Federation due to the centralization of the tax on mineral extraction in the federal budget, grants for compensation of budget losses arising in the division of powers between federal bodies of state power, bodies of state power of the constituent entities of the Russian Federation and bodies of local self-government. Based on the above, we can conclude that defining in the Code only one type of grants for equalizing budget security is contrary to the current situation. We can note the inaccuracy in

the definition of grants presented in the Code, since some of them are actually targeted by nature. To improve legal regulation, it is proposed to identify in the Code and to develop additional methods for certain types of grants, not formally defined in the Code, but existing in practice. The following types can be distinguished: grants to support measures to ensure balanced budgets, grants to encourage achieving the best values of performance indicators of state authorities, etc. [6, p. 128–131].

The second form of financial support named in the Code is subsidies to the budgets of the constituent entities of the Russian Federation. The definition of this form of financial support is established by law in Article 132: “Subsidies to the budgets of the constituent entities of the Russian Federation from the federal budget are understood as interbudgetary transfers provided to the budgets of the constituent entities of the Russian Federation in order to co-finance expenditure obligations arising from the exercise of the powers of state authorities of the constituent entities of the Russian Federation on subjects of jurisdiction of the constituent entities of the Russian Federation and subjects of joint jurisdiction of the Russian Federation and the constituent entities of the Russian Federation”⁵. That is, the intergovernmental subsidy is provided as an aid to the region to implement the powers legally assigned to this constituent entity of the Russian Federation. Moreover, expenditure obligations of the constituent entity of the Russian Federation, implemented through subsidies from the federal budget, may arise from the expenditure powers of the state authorities of the constituent entity of the Russian Federation both in the subjects of jurisdiction of the constituent entities of the Russian Federation and in subjects of joint jurisdiction.

Subsidies are the main form of financial support provided in the framework of program-targeted public administration [7–11]. The funds

⁴ The level of estimated budget security and the budget expenditures index of the constituent entities of the Russian Federation for 2017–2019. URL: https://www.minfin.ru/ru/document/?id_4=116795 (accessed on 15.04.2019).

⁵ The Budget Code of the Russian Federation of July 31, 1998 No. 145-FZ (as amended on December 28, 2017). URL: http://www.consultant.ru/document/cons_doc_LAW_19702/ (accessed on 19.09.2018).

for co-financing activities are provided in the form of subsidies. They are implemented at the expense of the budgets of the constituent entities of the Russian Federation within the framework of state programs of the Russian Federation or federal targeted programs implemented at the expense of the federal budget. The constituent entities of the Russian Federation and municipalities participate in state programs on a co-financing basis. According to the rules, regions must provide for their co-financing of federal funds (subsidies) for state programs in the amount of 5 to 30% (depending on the level of financial security of regional budgets).

Similar to grants, the maximum level of co-financing of expenditure obligations of a constituent entity of the Russian Federation from the federal budget is established for subsidies and depends on the level of estimated budget security of the constituent entity of the Russian Federation for the current financial year. The higher the rank of the region in terms of estimated budget security, the less financial support in the form of subsidies the region can receive.

A subvention to the budget of the constituent entity of the Russian Federation is a special form of financial support of the regions. Based on the definition given in the Code (Article 133), subventions to the budgets of the constituent entities of the Russian Federation from the federal budget are understood as interbudgetary transfers provided to the budgets of the constituent entities of the Russian Federation for the financial provision of expenditure obligations of the constituent entities of the Russian Federation and (or) municipalities arising from the exercise of the powers of the Russian Federation transferred for the implementation to state authorities of the constituent entities of the Russian Federation and (or) local authorities in the prescribed manner. Thus, the main difference between the subvention and other forms of financial support is that it is provided along with delegated powers transferred to the regional level from the federal level. Subventions are used as a tool for financing delegated powers [12]. Due to subventions, the greatest efficiency is achieved

in providing state (municipal) services and performing state functions due to the economies of scale and the closest possible approximation of performers to the population. However, subventions are of the most targeted nature and only partially related to the actual regional socio-economic processes, since they are not allocated to the development of the region, but to exercise the powers of the federation in the region. Therefore, they can only partially be attributed to financial support of the region. At the same time, they can contribute to obtaining secondary effects, such as developing the region's infrastructure, increasing employment, improving the quality of services provided, etc., i.e. in cases when their established uses partially coincide with the region's own interests. Moreover, they do not directly depend on the indicators characterizing the own revenues of a constituent entity of the Russian Federation that once again confirms the conditionality of their classification as forms of financial support of the regions. Subventions, as well as the dynamics of changes in their volume in the Russian system of budget federalism do not correspond to international practice [13–16]. The mechanism of subventions that has developed in Russia blocks the migration of powers to a level where they would be exercised most efficiently, and this violates the principle of subsidiarity [17–19].

Financial support of the Russian regions in the form of subsidies and subventions has a number of serious shortcomings. The main ones are the multi-channel financial assistance to every region in need and the lack of an integrated approach, which leads to dispersal and low return of public funds, and makes it difficult to control their spending. This multi-channeling is manifested in multiple targeted transfers. At present, more than 100 types of subsidies and 30 types of subventions are provided from the federal budget. Increase in the types of targeted interbudgetary transfers makes their development translucent and not sufficiently effective. There is a dispersal of financial support. It is significant that on average there are four interbudgetary subsidies to one state program. Sometimes

subsidies with identical targets are provided under various state programs. This leads to inconsistency of decisions by the constituent entities public authorities on spending of financial assistance [2, 16].

Thus, subsidies can reach several dozen in certain areas of co-financing. The fragmentation of these subsidies does not let the regions use the received funds on urgent socio-economic problems. Moreover, the share of subsidies in the total amount of financial support is most often high.

The mentioned shortcomings in the provision of subsidies for state programs can be resolved by the so-called consolidated subsidies. Two main approaches can be recommended to consolidation of subsidies:

1) consolidation of subsidies in the framework of state programs. So, one or two subsidies should be allocated for one program (separately to finance current and capital expenditures);

2) more significant consolidation: consolidation of all subsidies (all subsidies for capital expenditures) within the framework of one state program.

Having received a single consolidated subsidy, the regions will be able to independently decide how to spend it. This innovation is necessary for the transition from control over the spending of subsidies to control over the results of their allocation. The latter should become more intense.

To make financial support in the form of subsidies and subsidies effective, it is necessary to eliminate negative incentives for independent development of the region or to create conditions when the received funds will in any case be used efficiently, for the benefit of the economy. In the latter case, it is advisable to apply a program-targeted approach focused on integrated socio-economic development combined with the approaches for the consolidation of subsidies.

The methodology for providing financial support exclusively to implement delegated powers (in the form of subventions) has its own imperfections. In terms of reduction, or optimization, of federal budget expenditures in recent years and a simultaneous increase in the number of

delegated powers, state authorities of the constituent entities of the Russian Federation are often forced to raise their own funds to implement them. This was noted directly by representatives of the regions. This is most clearly expressed in the context of optimizing federal budget expenditures and an annual reduction in budget allocations by 10% since 2015. In particular, a decrease in the volume of a single subvention made the constituent entities of the Russian Federation fulfill their obligations (state registration of acts of civil status, state protection of cultural heritage of federal significance, etc.) at their own expense and reallocate budget allocations [2].

To bring the subventions in line with the costs of the implementation of delegated powers of the Russian Federation, it is necessary to conduct an audit of the spending powers of state authorities of the constituent entities transferred from the federal level. It is also necessary to develop standards for assessing the cost of their implementation and provide the estimates as part of materials for the development of the federal budget to the Ministry of Finance of the Russian Federation. Similar to the considered approach to organizing the provision of subsidies, a way to improve this form of financial support may be to consolidate subventions for the implementation of delegated state powers related to one classification group.

Article 132.1 of the Code contains the concept of "other interbudgetary transfers to the budgets of the constituent entities of the Russian Federation". Despite the nature of the concepts, they play their own role in regional development. Other interbudgetary transfers should include transfers allocated to the budgets of the constituent entities of the Russian Federation to provide transfers to municipalities where the territories with special administrative and legal status are located (closed administrative-territorial entities, science cities, special economic zones, etc.), as well as those related to financing secret articles of the federal budget and overdue accounts payable of the region for budget loans. An example of other interbudgetary transfers

Table 2

Limit value of budget loans to budgets of subjects of the Russian Federation for the period 2015–2020

| Indicator | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|-------------|-------------|-------------|
| Limit value of budget loans to regions. thousand rubles | 310 000 000.0 | 310 000 000.0 | 200 000 000.0 | 2 056 470.0 | 1 506 690.0 | 1 006 800.0 |
| In % GDP | 0.42 | 0.37 | 0.22 | 0.0021 | 0.0 | 0.0 |
| % of total Federal budget expenditures | 2.10 | 1.89 | 1.20 | 0.01 | 0.0 | 0.0 |

Source: compiled by the authors.

Table 3

The volume of the state internal debt of subjects of the Russian Federation under the article “Budget loans from other budgets of the budget system of the Russian Federation” in 2011–2017, thousand rubles

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 3 400 873.52 | 419 380 274.11 | 426 210 030.46 | 470 931 498.79 | 647 451 802.84 | 808 674 450.86 | 990 494 107.69 |

Source: compiled by the authors.

is the allocation of subventions to finance additional expenses of the municipality if it is granted the status of a science city. As a rule, such settlements play the role of growth centers in the region and are of great importance for the socio-economic development of the constituent entity, so the regional authorities are very interested in these transfers.

Chapter 16 of the Code lists the main forms of financial support of the regions. Nevertheless, they do not exhaust all modern forms of its provision. Limiting the methods of financial support of the regions by the considered forms would be an identification of the “financial sup-

port” and “interbudgetary transfers” concepts. On the other hand, financial support is a broader phenomenon.

Budget loans can also be a form of financial support of the regions. Their main difference from the forms of financial support considered above is the need for repayment and the paid nature of the provision, while budget loans, as well as subsidies and subventions, are targeted. Such financial assistance is provided to the constituent entities of the Russian Federation for a period of up to five years on the terms of an agreement regulated by civil law, within the limits of budget allocations stipulated by budg-

et laws. At the same time, this form has many shortcomings that are currently clearly evident in Russia.

Let us consider the limit value of budget loans to the budgets of the constituent entities of the Russian Federation, provided for by laws on the federal budget. It is presented in *Table 2*.

As seen from the above data, this form of financial support over the past four years and in two planning periods tends to decrease both in absolute and in relative terms. Despite the decrease in the budget level, the amount of regional debt on budget loans does not decrease. Let us consider the dynamics of the financial assistance actually received by the regions of Russia in the form of budget loans. It is presented in *Table 3*.

Based on the data presented, the average growth rate of loans per year is:

$$\overline{T} = \left(\sqrt[6]{\frac{990\,494\,107.69}{3\,400\,873.52}} - 1 \right) \times 100\% = 157.46\%,$$

or in absolute terms

$$\begin{aligned} \overline{\Delta} &= \frac{990\,494\,107.69 - 3\,400\,873.52}{7 - 1} = \\ &= 164.52 \text{ billion rubles per year.} \end{aligned}$$

A particular increase in debt occurred in 2015–2016, after a sharp deterioration in external economic and geopolitical conditions in 2014 which was growing, albeit at a slower pace, and after the economy emerged from the crisis in 2017.

Financial support of the regions in the form of budget loans has long-term risks. A significant increase in public debt of the Russian regions due to the accumulation of budget loans and other types of debt obligations negatively affects the financial stability of the budgets of the territories, as well as it limits investment opportunities. Despite the legislative consolidation of implementing bilateral relations between the state and the constituent entity on payment for the use and terms of repayment of loans, the volume of loans provided, according to statistics,

is increasing every year. Together, these factors are responsible for the slowdown in the regional development.

At the same time, by increasing budget lending, the federal government seeks to refinance expensive commercial loans accumulated by the constituent entities of the Russian Federation. That is, despite some risks, this measure is aimed at improving the regional economy, as announced by the President of the Russian Federation in 2017.

Indeed, in many respects such statistical indicators are determined by the policy of refinancing the debts of the constituent entities of the Russian Federation. For example, according to Decree of the Government of the Russian Federation dated December 18, 2017 No. 2857-r, budget allocations for the provision of budget loans in 2017 from the federal budget to the budgets of the constituent entities of the Federation were increased by 55 billion rubles. The document notes that ‘this is due to the need to ensure a balanced budget of the constituent entities of the Federation and refinancing of the debt obligations of the regions’⁶.

Among other measures, one can propose to envisage the obligation to fulfill the obligation to repay the budget loan (this condition is established in the Code, but does not apply to borrowers — the constituent entities of the Russian Federation), providing justification for the need to attract borrowed funds, as well as the mandatory approval of the debt policy of the constituent entity of the Russian Federation.

CONCLUSIONS

All forms of financial support of the regions discussed above are the direct provision of funds to the regional budget. Redistribution of tax revenues between the levels of the budget system of the Russian Federation is an indirect form of financial support of the regions, different by na-

⁶ Decree of the Government of the Russian Federation of December 18, 2017 No. 2857-r “On the increase in allocations to ensure the balance of regional budgets”. URL: <http://government.ru/departments/69/events/?dt.since=20.12.2017&dt.till=20.12.2017> (accessed on 19.09.2018).

ture. The share of tax revenues from the federal taxes redistributed to the regional budgets is large. The regions receive a large amount of funds from excise taxes, one of the most significant revenue sources. Personal income tax is transferred to the consolidated budget of a constituent entity of the Russian Federation. The amount of corporate income tax calculated at a tax rate of 17% is credited to the regional budget, and most taxes are paid there, etc., although there are many opinions about the effectiveness of the current system, for example, regarding the transfer part of VAT and other taxes to the regions. After all, organizations are the VAT payers and carry out their activities on the territory of the constituent entities of the Russian Federation.

Thus, the financial support of the regions in conditions of high territorial differentiation makes it possible to solve tasks related

primarily to maintaining socio-economic stability in the region and fulfilling all responsibilities of the regional authorities to the population. To sum up, we note again that currently the budgets of most regions are depending on the funds received as financial support. At the same time, forms of financial support have a number of shortcomings, including multi-channeling, fragmentation of its provision, reduction of incentives for independent development, difficulty in assessing the amount of necessary assistance, on-lending, etc. The problems of financial support of the regions have long been under the attention of financial authorities. As a result of the transformations in the recent years, some shortcomings of the applied forms and methods of financial support have been partially eliminated.

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Stroev P.V. — development of the research concept, analysis of the results, producing the research findings.

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