

THE ACTUAL PROBLEMS OF CONTEMPORARY BUDGETARY FEDERALISM AT THE REGIONAL LEVEL

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The paper is devoted to the review of some present-day existing actual problems of inter-budget relationships which make its impact at the regional level. The analysis of the corresponding basic principles of budgetary federalism is presented identifying the reasons of the difference between theoretical regulations and existing practice of budget relations between the federal government and regions.

The implementation of the budgetary federalism main principles is one of the most important problems for developing effective budget relationships in the federal state. The notion of budgetary federalism is based on the established budget rights and duties between federal, regional and local governments, regulations of their cooperation, which are corresponding to the legislative norms and rules. In this paper the legal and economic aspects of budget relations are considered as inter-dependent and mutually influencing.

The budgetary code of Russian Federation includes the main cornerstone principles of budget relationships. They concern:

- ◆ attaching budget expenditures to different levels of state budget system;
- ◆ assessment of budget receipts and its time norms between budget levels;
- ◆ the equality of budget rights between the regions and municipalities;
- ◆ smoothing the minimal budget supply levels of the regions and municipalities;
- ◆ the equality between regional budgets and federal budget as well as regional budgets and local budgets.

These principles provide the conceptual integrity and allow to avoid the contradictions in legislation. They are not strict regulations.

One of the most important problems in budget relationships between different government levels is a constantly existing vertical and horizontal imbalance between the budgets. Vertical budget disproportions arise due to the excess of current financial obligations of regional and local budgets over their financial abilities.

The lack of balance between regional budget expenditures, imposed as a duty by federal government, and its receipts, determined by the

revenues from taxes, eliminate using the federal budget grants. Nevertheless, there are several essential disadvantages. They concern violations of some basic principles of budgetary federalism which are having its negative impact at the regional level.

Firstly, the provinces and regions find themselves fully depended legally and financially on the federal government, that's why the revenues from taxes are wholly up to national authority. This situation breaks the principle of independency for the budgets of different levels.

The principle of equality for budget rights between federal, regional and local governments is also violated. Some norms and rules for determining and controlling the budget process on regional and local levels are still lacking. The additional budget imbalance could arise in cases when federal government imposes some financial obligations on regional budget which are mismatched with real tax abilities of the certain territory.

The violation of these basic principles leads to the impossibility of effective regional development based on the actual needs and particularities. Moreover, some researchers of budgetary federalism problems note a tendency to the strong centralization in the budget state system where all regional and local budgets fully depend on federal authority. It is interesting to mark that most of highly developed federal countries follow the opposite way.

The horizontal budget imbalance takes place due to irregular economic development level of the regions and follows the difference in territorial tax abilities. Very often the reasons of these facts do not depend on provinces themselves. They may be caused by natural, demographic or economic regional particularities.

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Federal budget grants and subventions are also used for leveling the horizontal budget disproportions. It helps to maintain the sustainability of social and economic regions development, stimulates the economic cooperation between the provinces. Nevertheless, it leads to the lack of regional authorities' efforts to develop and enhance its own tax abilities, and also does not stimulate them to be more economical with regional budget expenditures. In order to decrease the influence of these disadvantages it's necessary to take in consideration the actual reasons of horizontal disproportions.

Some problems concerning the horizontal imbalances are determined by the behavior of certain regions. They often violate their obligations to the federal budget and it, consequently,

leads to the lack of finances for the state budget commitments. The donor-regions are dissatisfied with this situation because they have no preferences over their "worse working colleges".

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