

PERFECTION OF MUNICIPAL REFORMS IN THE REGIONS

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In this article the author considers acute problems of functioning and further development of municipal formations, suggests a number of system tasks which can fast-track and improve the quality of the municipal reforms in the regions.

A current municipal reform is implemented on the basis of the Federal Law No. 131 of October 6, 2003 "On the General Organizational Principles of Local Self-Government in the Russian Federation". It has undergone a significant transformation in all spheres of the region. The reform sets the target of closer interaction of local self-government with citizens. The enactment of the law mentioned above allowed the increase of a list of issues of local significance. Accordingly, it has changed the powers of municipalities and organizational opportunities of their implementation.

It should be admitted that the reorganizations have led to reduction of modest opportunities of tools of local economic stimulation including the use of municipal property, tax benefits and financial means. Economists note: "On the one hand, the law diminishes the risk of corruption from municipalities and prevents ineffective expenditure; on the other hand, it deprives local authorities of their own economic policy aimed at developing their region". That means the reform being conducted will not be able to give social and economic development in local self-governments. So the main issue appeared to be in reorganization of the reforms.

There have been so many serious problems in the sphere of municipalities so far. First of all, there are low budgets that cannot cope with local problems either in full or partly. Financial problems are the most acute in the current activity of municipal formations now. The present sources of local budgeting are so weak today; they can only accumulate the following taxes: land tax and property tax, and the norms of assessments to local budgets from federal and regional taxes are extremely low. Financial aid from regional budgets cannot be sustainable and guaranteed and some amounts of grants do not

allow the solution of local problems as well. "To put it mildly, it encourages local authorities not to carry out their obligations and it is no wonder that "municipal authorities" are dissatisfied both with the new division of powers, and the budgets».

There has been a considerable reduction in the revenue of municipalities in the republic of Bashkortostan as a result of reforms of local self-government, changes in the inter-budgetary relations and tax system. There has been some decrease of local budgets with its revenue (revenue to expenditures ratio). The unfavorable conditions were observed in 52 territories. The revenue of budgets halved in 15 municipalities. The tax revenues to local budgets were reduced in 55 territories of the republic. The reserve of expenditure budget of municipalities by means of tax and non-tax revenue decreased in 60 territories of the republic.

This situation to some extent deprives municipal formations of financial and economic self-sufficiency and also impedes social and economic development of the territories.

A considerable depreciation of the resource base is one of the most acute problems in the activities of municipal formations. It concerns budget building and also administrative constructions and there are pending issues connected with modern equipment (office equipment, communications and media facilities) of budget organizations. However, local self-governments lack the financial means to meet their needs.

The share of labour expenses including charges and payments for public utilities in the revenues of local budgets (even taking into account financial aid from regional budgets) constitutes up to 40-50% in the majority of municipal formations. Minimization of supply of local formations does not assist in an increase of effectiveness for the needs of citizens.

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There is a great differentiation between the budget sizes and their structure at a territorial level as for obvious changes following from a city to a village. "The budget expenditures of big cities are in 5 or 7 times more per a resident than in small ones and they are even less in rural settlements. The expenditures for social and cultural needs in the cities are approximately half of all expenditures spent in the district and rural budgets, i.e. 60-80%", and it aggravates considerable differences in standards of living of the population. It is certainly due to different climates, demographic situation, and level of economic potential that predetermine essential distinctions in the revenue of separate territories in comparison with the level of expenditure budgets. However, one cannot fail to see discrepancy in the tax system and budgeting at different levels. Consequently, it makes the financial situation tough and on the verge of "patching up" in the regional and municipal economies.

The problem regarding municipal property has deteriorated due to the unstable financial and economic position in places. There have been a large number of entities registered in the list of municipal property but the assets cannot yield an expected income. It is connected with deficiency of financial means in local budgets and leads to some obstacles in registration of the property rights in municipal formations for the so-called "abandoned" heat, electrical and gas piping systems, branch lines, nonresidential constructions and other property. The entities were abandoned by former owners (large-scale enterprise, farming, military units and others). The shortage of means for conducting the annual inventory, technical documentation preparation and state registration of property rights in the field of real estate hinders the process of registration, redistribution of the property among the federal centre, the regions and the municipalities. It impedes the fulfillment of corresponding functions and collecting revenue.

An important problem in the activity of municipal formations is insufficiency of tax and statistical information, which relates to the prerogatives of powers of federal structures and do not become the power of local self-government. In the absence of tax and statistical information, fragments do not make it possible for local self-governments to develop reliable

forecasts and plans of the social and economic development of their territories and budgeting of revenue taking into account the estimation of their tax potential. The most acute task of municipalities in developing countries is the creation of attractive conditions for the life activity of population and business. The municipalities of foreign countries use diverse tools for creating favorable economic conditions.

It should be kept in mind while examining and considering of foreign experience to use administrative influences together with the organizational and economic measures for assistance and stimulation of business activity in the number of states. For example, a veto applied on the arrangement of new and the expansion of the existing enterprises in the oversaturated cities and agglomerations. On the contrary, the encouragement of relocation of enterprises into less developing regions (assistance in registration, provision of industrial areas, information support) is prohibited. However, this sphere can be a combination of direct administration with the economic regulators (anti-stimulators) that is more effective. Thus, in France they are allowed to grant a subsidy to firms which relocate their enterprises and offices from Paris into other regions; Italy uses tax and other stimuli with respect to the largest agglomerations Milan and Torino⁶. These measures give the desired effect.

Russian experience shows that the regions do not practice all the tools used in the developing countries. The methods being applied have various degrees of implementation combinations. This has laid foundations of subjective reasons and correspondingly due to professional level of municipal control and the influence of objective factors, in particularly because of the dimension of municipal formation.

The consideration of the state problem in the republic of Bashkortostan brings us to the conclusion that municipal marketing, preparation and engineering construction of land sections and reconstruction of premises, the arrangement of techno-parks and business-incubators, the creation of agencies of technical assistance for development of territories, collaboration and partnership with the business are the most efficient tools of municipal influence on the progressive processes today. It should be noted that the role of infrastructural factors

is growing due to the current conditions, tools of regulation of land tenure, increase in the running efficiency of real estate, development of inter-municipal cooperation and collaboration, consolidation of local association for the solution of the current and strategic problems.

In connection with the processes of establishment and adaptation of local self-government to the organizational, economic and financial conditions of functioning and development, a question about dimensions and scales of municipal activity has been raised. In accordance with the above-mentioned law No. 131 there have been created a large number of municipal formations in the regions of the country - urban districts and municipal regions = rayons, the latter comprises a great number of urban and rural settlements. For instance, in Bashkortostan there are 8 urban districts and a limited local administration (boundaries and status of which are established in accordance with the federal legislation), 54 municipal regions= rayons, including 158 urban settlements and 942 rural settlements (from 10 to 23 in each region). The total number of municipal formations constitutes up to 1020 having their own structure, states, budget, and functions. The question stands about the expediency of existence of this number of municipal formations.

Current Russian municipalities present specific formations combining inconsistent features of both independent (to a certain degree) economic entities providing public services and a structural units in the administrative-territorial system. The first feature puts emphasis on increase of municipality (it involves development of tax assessment, agglomeration of different forms of infrastructure, growth of local budget, improvement of public services). The second one puts "closer interaction of local self-government with citizens" in the foreground so that it assumes a certain limitation of dimensions in municipal formations. The above-mentioned features specify the need to determine suitable dimensions of different types of municipal formations (both urban districts and municipal regions and urban and rural settlements in the form of independent municipal formations).

Most of the scientists and practitioners tend to support the idea of agglomeration of existing municipal formations. The author of this paper also considers it more rational to review

the present dimensions of boundaries and the status of a lot of municipal formations first of all, and then rural and urban settlements and municipal regions. Thus, the dimensioning of the municipal formations which provide their financial and economic consistency will require a thorough estimation of a large number of parameters reflecting the potential of each municipal formation. Consequently, it should have precise information such as: the population and its structure; the dimensions of the territory; vacancies; entities of industry, agriculture, housing, trade, quasi-retailing; tax base; state and opportunities of engineering, transport and social infrastructures and others. There is a vital point in taking into account the qualification standards of municipal employees of local self-government and abilities of local authority to fulfill their conditions of external environmental change.

The problem of defining the ideal dimensions of the municipal formations, universal for all regions, appears to be unreal in connection with the obvious specific characters of the majority of Russian settlements from different points of view (natural and geographic; climatic; industrial; economic; infrastructural; demographic; national and cultural; social, etc). Apparently, the discussion can deal with the selection of the specific types of municipal formations in connection with a certain territory, localities, and existing special features. There should be an individual approach taking into consideration a lot of other parameters. The creation of organizational, fiscal conditions is the basic criterion in stability of social and economic development of the municipal formations. It enables the improvement in the quality of the life of local citizens.

The solution of the most acute problems at present can fast-track and improve the quality of the municipal reforms in the regions.

One. Local self-governments should have sufficient powers and revenues for providing public services, organization of social welfare of population, development of social, engineering and municipal infrastructure, monitoring the use of natural resources and so forth. So it is necessary to create the norms of tax allocation among different levels of the state budget. Thus, each level of government would correspond to reliable revenue for financing of its liabilities.

The revenue of the entities of the Russian Federation must not depend on abuse of a federal official and revenues of local budgets should not be determined by favour of regional self-governments.

Two. The public tax and statistical accounts should be transparent and available to local authorities. It will require the corresponding legislative and normative decisions, organizational and methodical studies. However, deliberate actions in solving this problem tend to retain limited powers of independence and self-governance in municipal formations.

Three. It is necessary to examine thoroughly and conduct a deep analysis of administrative tools applied in developing countries for implementation of the activity of municipal formations of the Russian regions.

Four. While considering the current and strategic tasks one should take into account the gradually increasing role of infrastructural factors, tools of regulation of land tenure, growth in the running of real estate, development of inter-municipal cooperation and collaboration, consolidation of local associations.

Five. Further improvement of forms, dimensions, boundaries and status of municipal formations in the region should be systematically done for reforming of the municipal sector in daily activity of citizens and social and economic development of the region.

Six. The problem of qualified staff shortage should be considered, especially in the urban and rural settlements. The new municipal reform has aggravated and highlighted personnel weakness at the local level. "There is a catastrophic shortage of qualified top-managers, economists and top lawyers. For instance, the management charges in municipal settlements are up to 50-60% of the budget expenditures, especially in the rural ones". Thus, the regional government has to take participation in detailed recruitment procedures that is training and retraining of the staff for municipal sector for at least 2 years, so that each municipal formation will have experts in different spheres of activity.

Seven. There is a crucial need from the local self-governments in elaboration of scientific

methods of tracking reforms in the municipal formations of the region.

Eight. It is necessary to organize the implementation of ways, forms and methods of benchmarking, application of the best practice in the region of reforming of local self-government and consolidation of economic and financial bases of successful municipal functioning and development.

Nine. For the effective coordination and control of the reform it is necessary to perform a system of regional monitoring of the reform in the local self-government and follow the proceeding changes in all municipal formations and region as a whole.

It should be noted that the State Assembly of the Republic of Bashkortostan has reduced up to 100 units of local municipalities due to some recommendations of the author. However, this problem is still in-process and it requires further careful consideration on the number optimization.

Thus, the necessity of improving municipal reforms remains the issue of the day in the region.

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