



Factors and trends in the development of local budgets of rural territories

Factores y tendencias en el desarrollo de los presupuestos locales de los territorios rurales

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Content

[1. Introduction](#)

[2. Methodology](#)

[3. Results](#)

[4. Conclusions](#)

[Bibliographic references](#)

ABSTRACT:

The paper analyzes factors and trends in revenues and expenditures of local budgets of rural territories (municipal districts and rural settlements), the most numerous types of municipality in the Russian Federation. The paper concludes that the place of the rural territories' budgets in total local budgets is relatively stable; rural territories' budgets remain unbalanced, expenditures exceed revenues and this significantly hampers the work of local governments; proportion of grants in rural territories' budgets is rather high; rural territories' budgets are mainly oriented towards financing current expenditures though facing the task of sustainable development of rural territories.

Keywords: rural territory, municipal district, rural settlement, expenditure

RESUMEN:

El artículo analiza los factores y las tendencias en los ingresos y los gastos de los presupuestos locales de los territorios rurales (distritos municipales y asentamientos rurales), los tipos más numerosos de municipios en la Federación de Rusia. El artículo concluye que el lugar de los presupuestos de los territorios rurales en los presupuestos locales totales es relativamente estable; los presupuestos de los territorios rurales permanecen desequilibrados, los gastos exceden los ingresos y esto obstaculiza significativamente el trabajo de los gobiernos locales; la proporción de donaciones en los presupuestos de los territorios rurales es bastante alta; los presupuestos de los territorios rurales se orientan principalmente a financiar los gastos corrientes, aunque enfrentan la tarea del desarrollo sostenible de los territorios rurales.

Palabras clave: territorio rural, distrito municipal, asentamiento rural, gasto

1. Introduction

Studying the development of local budgets as components of economic basis of local self-government is traditionally considered to be highly relevant. Additionally, local budgets represent an interesting object of research, because that they mirror the financial state of very different types of municipalities existing in the Russian Federation, particularly:

- urban districts;
- urban districts with intra-urban division;
- intra-urban districts;
- municipal districts;
- urban settlements;
- rural settlements;
- intra-urban municipalities (in the cities of the federal importance, for instance, Moscow, Saint

Petersburg).

Rural settlement is the most widespread type of municipality, the second most prevalent type of municipality is municipal district. Both types of municipalities refer to a two-level model of local self-government functioning in a rural area.

The issues of drawing up and executing local budgets are usefully explored in the works of modern economists. Directions of the Russian budgetary policy concerning local budgets, as well as financial results of the municipal reform are presented in the papers of Pronina (Pronina, 2015 and 2016). Levina examined the specifics of balancing local budgets in conditions of financial instability (Levina, 2015); Pinskaya and Ziganshina devoted their efforts to identifying problems and possible solutions in the field of ensuring balance of regional and local budgets (Pinskaya and Ziganshina, 2015); Mudrova characterized acute problems of yielding revenues to local budgets (Mudrova, 2014).

From the standpoint of the scope of problems of local self-government, including its territorial organization, it is worth mentioning the works of Adukova (Adukova, 2016) and Babun (Babun, 2016). Yurchenko (Yurchenko, 2010) and Voronina (Voronina, 2013) studied financial and budgetary aspects of sustainable development of rural territories.

The issues related to local budgets are investigated in the works on municipal government revenue structures (Carroll, 2009), local budgeting process (Anessi-Pessina E., Sicilia M. and Steccolini I., 2012), and intergovernmental fiscal transfers (Boex J. and Martinez-Vazquez J., 2006; Bessho Shun-ichiro, 2016; Zhang G., 2013). A number of important works on rural local governments' budgets were written by American authors (Huddleston M. W. and Palley M. L., 1981; Sokolow A.D. and Honadle B.W., 1984; Kenneth M. J., Pelissero J. P. et al., 1995; Felix A., Henderson J., 2010) who confirmed the specifics of local budgets in a rural area.

However, the analysis of publications on the topic of our study gives grounds to conclude that the issues of drawing up and executing local budgets of rural territories have not received sufficient attention as yet.

The present study aims to analyze and assess trends and factors in formation of local budgets of rural territories against the background of all local budgets

2. Methodology

In the study, indicators of revenues, expenditures, as well as balances of local budgets of rural territories were examined by federal districts. This allowed not only generalizing about trends, but also presenting the findings taking into account the territorial structure. The study investigated local budgets of municipal districts and rural settlements of the Russian Federation with the main focus on trends and factors in formation of their revenues and expenditures. The choice of the research subject was determined by specific features of municipal districts and rural settlements as territories of local self-government resulting in a number of peculiarities of their budgets' formation.

The data of the Federal State Statistics Service and municipalities' regulations on approval and execution of local budgets constituted the main information sources of the study. The use of such methods as system-structural, causal methods, methods of case study and comparative analysis enabled the authors to initiate a comprehensive search to attain the stated objective.

3. Results

The changes in the number of municipal districts and rural settlements in the Russian Federation are presented in Table 1.

Table 1
Changes in the number of municipal districts and rural settlements in the Russian Federation

Date	Municipalities		
	Total	Including	
		Municipal districts	Rural settlements
As of 1.01.2010	23,907	1,829	19,591
As of 1.01.2011	23,304	1824	18,996
As of 1.01.2012	23,118	1,821	18,833

Central	418,647	186,676	21,970	655,817	283,941	35,287	156.7	152.1	160.6
Northwestern	185,974	81,731	10,202	260,168	108,305	10,003	139.9	132.5	98.0
Southern	193,323	75,473	14,097	301,619	124,309	17,418	156.0	164.7	123.6
North Caucasian	94,069	50,679	7,342	141,846	79,816	8,143	150.8	157.5	110.9
Volga	386,936	170,149	22,439	571,431	242,728	28,003	147.7	142.7	124.8
Ural	293,587	84,933	7,757	473,687	134,207	13,708	161.3	158.0	176.7
Siberian	367,220	142,417	17,146	510,939	203,616	25,268	139.1	143.0	147.4
Far Eastern	186,148	80,596	10,331	300,941	121,683	14,342	161.7	151.0	138.8

According to the official reports, in 2015 the total volume of revenues received by local budgets amounted to 3,497.1 billion rub., what was less than in 2014 by 0.3% or 11.7 billion rub. At this, compared to 2014 the share of rural settlements in municipalities' own revenues decreased by 0.4%, whereas the share of municipal districts went up by 0.8%. The decrease at the rural settlements' level is connected with the transfer of parts of revenues from income tax and unified agricultural tax to the budgets of municipal districts, because of the redistribution of a number of local issues from the jurisdiction of rural settlements to the jurisdiction of municipal districts, as well as cuts in grants, subsidies and a fall in non-tax revenues, which declined by 35% or 13.9 billion rub.

It is noteworthy that over the considered period the trend of unequal distribution of the tax revenues between types of local budgets continued. The reason behind this is high differentiation of rates of socioeconomic development in different types of municipalities, the so-called regional and local asymmetry. For instance, at the end of 2010, urban districts' budgets accumulated 64.1% (517.3 billion rub.) of tax revenues, whereas municipal districts' budgets received 26% (209.6 billion rub.) and rural settlements' budgets got only 9.9 (79.9 billion rub.). In 2015, the distribution of tax revenues between types of municipalities looked as follows: urban districts' budgets accumulated 57.1% (570.7 billion rub.) of tax revenues, municipal districts' budgets – 28.3% (283.3 billion rub.), urban settlements' budgets – 7.6% (75.5 billion rub.), and rural settlements' budgets 7.0% (69.8 billion rub.). Thus, we can clearly observe a trend towards a decrease in the share of tax revenues of rural settlements' budgets in the total volume of tax revenues of all local budgets.

During 2010–2016, in five federal districts the share of revenues of rural settlements' budgets in total revenues of all local budgets was dropping: in the Northwestern Federal District it went down from 5.5 to 3.8%, in the Southern Federal District – from 7.3 to 5.8%, in the North Caucasian Federal District – from 7.8 to 5.7%, in the Volga Federal District – from 5.8 to 4.9%, in the Far Eastern Federal District – from 5.5 to 4.8%. Virtually this means that the presence of the rural settlements in this indicator is shrinking due to such factors as binding established norms of tax revenues and a level of socioeconomic development of a territory.

In the structure of expenditures of local budgets, the situation remained generally unchanged. The indicators of expenditures of rural settlements' budgets are given in Table 3.

Table 3
Expenditures of local budgets in the federal districts, 2010-2016, million rub.

Federal district	Budget for 2010			Budget for 2016			Growth, %		
	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements
Central	436,534	192,905	22,751	683,680	291,835	37,187	156.6	151.2	163.4
Northwestern	194,272	84,627	10,375	271,486	111,436	11,036	139.7	131.7	106.4

Southern	205,697	79,222	15,298	310,235	126,494	19,439	150.8	159.7	127.1
North Caucasian	96,855	50,895	7,425	145,825	80,718	8,535	150.6	158.6	114.9
Volga	399,447	172,542	21,826	591,879	247,558	29,391	148.2	143.5	134.7
Ural	302,256	85,915	7,863	492,158	137,547	14,000	162.8	160.1	178.0
Siberian	375,786	143,441	17,466	532,384	207,167	26,114	141.7	144.4	149.5
Far Eastern	193,815	83,890	10,447	311,508	122,794	14,763	160.7	146.4	141.3

In the structure of expenditures of local budgets in the Russian Federation the lion's share is taken by expenditures on handling local issues, though at the moment it is decreasing: 73% in 2010, 76.1% in 2011, 72.0% in 2012, 72.5% in 2013, 66.0% in 2014, and finally 63.6% in 2015. The largest decrease occurred in urban and rural settlements due to the transfer of some local issues to another level.

In terms of groups of expenditures, structures of local budgets of municipal districts and rural settlements clearly differ. In rural settlements' budgets, the share of expenditures on handling local issues can come up to 99%, whereas, for instance in 2015, in the structure of municipal districts' budgets the share of expenditures on local issues amounted to 53.2%, expenditures on exercising some federal powers took 20.5%, expenditures on issues not related to as local issues accounted for 26.2%.

The expenditures of local budgets traditionally exceed their revenues, which logically results in the fact that local budgets are drawn up and executed with deficit. The analysis of revenues and expenditures of local budgets allows revealing a trend of the growing deficit of local budgets of rural territories. During 2010–2016, the total deficit of local budgets of municipal districts grew from 20,783 million rub. to 26,944 million rub., or by 29.6%, and the total deficit of local budgets of rural settlements increased from 2,810 million rub. to 8,293 million rub. or 2.95 times. The indicators of deficit of rural territories' local budgets are shown in Table 4.

Table 4
Deficit of local budgets of rural territories in the federal districts, 2010-2016, million rub.

Federal district	Budget for 2010			Budget for 2016			Growth, %		
	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements	All local budgets	Local budgets of municipal districts	Local budgets of rural settlements
Central	-17,887	-6,229	-781	-27,863	-7,894	-1,900	155.8	126.7	243.3
Northwestern	-8,298	-2,896	-173	-11,318	-3,131	-1,033	136.4	35.7	597.1
Southern	-12,374	-3,749	-1,201	-8,616	-2,185	-2,021	69.6	58.3	168.3
North Caucasian	-2,786	-216	-83	-3,979	-902	-392	142.8	181.5	472.3
Volga	-12,511	-2,393	+613	-20,448	-4,830	-1,388	163.4	201.8	***
Ural	-8,669	-982	-106	-18,471	-3,340	-292	213.1	340.1	275.5
Siberian	-8,566	-1,024	-320	-21,445	-3,551	-846	250.4	346.8	264.4
Far Eastern	-7,667	-3,294	-146	-10,567	-1,111	-421	137.8	33.7	288.4

It is worth noting that the deficit of municipal districts' budgets in five federal districts widened in the

considered period. The growth varies from 126.7% in the Central Federal District to 346.8% in the Siberian Federal District. In four federal districts (North Caucasian, Volga, Ural and Siberian) the growth of municipal districts' local budgets' deficits exceeded the growth of all local budgets' deficit. The picture is even more dismal with the growth of deficit of rural settlements' budgets. In all federal districts, the deficit of rural settlements' budgets was increasing faster than the deficit of all local budgets and deficit of municipal districts' budgets. Therefore, we can observe a trend when the growth of deficit of rural settlements' budgets outstrips the growth of the deficit of local budgets of other types of municipalities.

Such systemic deficit of local budgets results, first and foremost, from discrepancy between revenue and expenditure powers of local authorities. Besides, we share other researchers' opinion, according to which "...a serious barrier to achieving a balanced state of regional and local budgets is a lack of a uniform methodological basis of intergovernmental fiscal relations enabling to balance the amount of financial aid against actual need in it" (Pinskaya and Ziganshina, 2015, p. 94). In addition, a substantial barrier to solving the problem of balancing local budgets is that local budgets generally and municipal budgets and rural settlements particularly are predominantly oriented towards financing current expenditures.

The results of the study can expand economic knowledge about the trends and factors in formation and development of local budgets of municipal districts and rural settlements in the Russian Federation as a special type of municipalities and can be used by local governments to formulate plans of municipal socioeconomic development and adjust budget policies. In addition, the obtained findings may be in demand in the practical activities of regional authorities for the purposes of financial and budgetary regulation.

The suggested algorithm for analyzing trends in development of local budgets of rural territories is universal and can be applied in analytical procedures related to local budgets of other types of municipalities.

4. Conclusions

Overall, the findings of the study allow formulating a number of conclusions.

First, the place of rural territories' budgets in total local budgets is relatively stable, no radical shifts in the period under consideration were identified.

Second, rural territories' budgets are not balanced, expenditures keep on exceeding revenues, what makes it significantly more difficult for local authorities of municipal districts and rural settlements to handle local issues.

Third, in current conditions rural territories have no practical possibilities to build financial base that will support independence of local self-government. This is proved by the persistence of high amount of grants in the structure of rural territories' budgets.

Fourth, rural settlements do not possess high potential for yielding non-tax revenues to their budgets. Economic activities are concentrated in large municipalities, to be more specific, in urban districts.

Fifth, budgets of rural territories are predominantly oriented towards financing current expenditures and this flatly contradicts the goal of sustainable development of rural territories. Independent formation of the development budgets at the level of rural territories proves to be a rather complicated assignment in modern conditions.

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