

DEVELOPMENT OF MUNICIPAL FORMATIONS

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Current Issues in the Development of Municipal Entities and in Reforming the Institution of Local Self-Government



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Abstract. The goal of the present article is to evaluate the trends and identify key problems in the socio-economic development of municipal entities and in the development of local self-government, and to identify ways to solve the most acute of them. We consider trends in the development of municipal entities in their relation with the processes of reforming local self-government; the analysis uses not only statistics, but also the results of a local self-government monitoring held in the Vologda Oblast since 2007 in the form of a questionnaire survey of heads of municipalities. This distinguishes our present work from similar works of other scholars and forms its scientific novelty. To achieve our goal we used such scientific methods as economic, statistical and comparative analysis, generalization, expert survey, and a monographic method. We have found out that the main problems that impede efficient management of development of municipal

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entities are as follows: flaws in the legislation regulating the development of local self-government; lack of own revenue sources and insufficient financial support from the state; low efficiency of interaction with public authorities; lack of complete and reliable information on the socio-economic development of the municipality; non-involvement of the local population; limited powers of local self-government bodies in the sphere of economic development of the territory. We prove that local self-government institution in Russia is being continuously reformed, and the reforms do not address a key problem of municipalities – their low economic and financial independence. Thus, in 2014–2017, appropriate decisions were made at the federal level, according to which the number of issues of local importance of rural settlements were significantly reduced; the issues concerning the choice of the procedure of forming local self-government bodies are now handled at the regional level; now there exists the possibility of actually converting municipal districts to urban districts. We prove that all this only undermines the role of local self-government institution. We propose recommendations to eliminate possible negative effects of this reform. The results of our study can be used in the work of relevant federal and regional authorities, and serve as a basis for further research on this topic in the area of designing organizational and financial-economic foundations for the functioning of local self-government institution.

Key words: municipal entities, local self-government, socio-economic development, differentiation, region, Vologda Oblast.

Introduction. Modern socio-economic development issues of the country, its regions and municipal entities are largely associated with the consequences of the radical transition to a market economy and the overall economic recession of the 1990s; the issues emerge also due to the growing centralization of budgetary resources and, consequently, limited possibilities for sub-federal level authorities in making independent decisions on the socio-economic development of territories.

Currently, managing the development of territories in Russia is not comprehensive, it often ignores the specifics of individual territories and, as a result, the relevant policy is not effective enough. Such ineffective management of development is due to increased bureaucratization in the relations between levels of government, and also due to excessive control over municipal entities. This situation results from the perception of the municipal level mainly as the lowest level of power and management rather than an independent and equal partner in addressing socio-

economic development issues of territories. A special nature of local self-government that combines the principles of public authorities and civil society is not implemented to the fullest extent. In addition, an ill-conceived policy of “optimization” of social institutions (and in most cases, their virtual elimination, especially in rural areas) carried out in recent years aggravates the negative effects of those solutions; i.e. the prospects of development of municipalities become limited, the migration outflow of population to the cities increases, the entire settlements deteriorate and become depopulated. We cannot but mention the current model of economic relations in Russia, under which in most cases the interests of the owners of large corporations outweigh the interests of the country and its territories. In this regard, it becomes especially important to assess trends and identify key issues of socio-economic development of municipalities and to identify ways of addressing the most acute of them; this is the goal of the present article.

Description of our research methodology and substantiation of its choice.

To achieve the goal, we used economic, statistical and comparative analysis, synthesis, expert survey, and the monographic method. Methodological basis of our study includes the works of Russian and foreign economists in the field of regional economics, state and municipal management.

It should be noted that the research on the issues of local self-government in Russia and evaluation of its reforming are presented in the works of R.V. Babun, E.M. Bukhval'd [1; 2], V.I. Vasilev, O.B. Glezer, V.G. Ignatov, V.I. Klistorin [3], V.N. Leksin [4], E. Markvart [5], A.S. Marshallova, A.S. Novoselov, A.V. Odintsova [6], R.V. Petukhov, T.V. Sumskaya, T.V. Uskova [1; 7], V.E. Chirkin, A.N. Shvetsov [8], E.S. Shomina, E.S. Shugrina [9], and others. Currently, the development of municipal entities is mainly considered in the context of creating a unified system of strategic planning in the country, development institutions at the local level, defining the role of municipalities and local self-government institution in spatial development of the country, development of "zonal" tools to stimulate economic dynamics of territories [10] (special economic zones, priority development areas, zones of territorial development, clusters, etc.) and agglomerations [11], ensuring self-development of local territories. These trends are largely typical of global science where considerable attention is paid to the issues of administration reform at the local level [12; 13; 14] and to the need for ensuring global competitiveness of regions based on strong local economies (this is a priority of the territorial agenda of the EU until 2020 [15; 16]).

Research into the trends and features of development of local self-government institution in Russia's regions is also carried

out by the All-Russian Congress of Municipal Entities, the All-Russian Council of Local Self-Government, associations (councils) of municipal entities of Federation subjects, inter-regional associations of municipal entities (for example, the Association of Siberian and Far Eastern Cities [17]). However, in most cases, these studies are sporadic, and they focus on individual and very narrow issues. In this regard, our present paper considers current problems of development of municipal entities in relation with the trends of reforming local self-government institutions. Conclusions and proposals are substantiated not only by analyzing statistical data, but also with the help of the results of a long-term monitoring of the functioning of local self-government institution; the monitoring is carried out in the Vologda Oblast in the form of an annual questionnaire survey of heads of municipal entities, this aspect is certainly an element of scientific novelty of the article.

Research results. Using the example of the Vologda Oblast, we shall consider in more detail the situation concerning the socio-economic development of municipalities, the severity and diversity of problems, which is significantly higher than it is typical of the differences between Russia's constituent entities in the federal socio-economic space. Thus, major problems in the socio-economic development of municipal entities of the Vologda Oblast at the present stage are as follows.

The first problem is a great disparity in the development of municipal districts caused by significant differences in the means, resources, sources, drivers and conditions of development. In Russia, as a result of a significant decline of the role of the state in regulating spatial development in the 1990s, and also due to the competition of municipalities for population, investments, and federal support the problems

Table 1. Ratio of the maximum to the minimum values of indicators of municipal districts of the Vologda Oblast, times

Indicator	Years								
	1991	1996	2001	2006	2011	2012	2013	2014	2015
Volume of industrial production per inhabitant	29.9	40.6	78.8	47.7	537.3 ¹	366.2 ¹	733.5 ¹	23.0 ^{1,2}	29.3 ^{1,2}
Volume of agricultural production per inhabitant	10.1	10.1	9.7	20.1	19.6	19.6	19.1	18.9	18.1
Volume of investments in fixed capital per inhabitant	2.5	14.7	26.8	35.3	22.2 ¹	83.8 ¹	160.4 ¹	72.0 ¹	52.1 ¹
Average monthly nominal accrued wage	1.3	2.2	2.0	1.5	2.1	2.9	1.9	1.8	1.8
Retail trade turnover per inhabitant	1.3	3.0	2.8	2.5	1.7	1.8	1.9	2.0	2.1
Number of doctors per 10,000 population	2.8	2.8	3.6	3.5	3.4	3.4	3.0	3.4	2.5
Provision of inhabitants with housing	1.5	1.5	1.4	1.8	1.6	1.6	1.6	1.8	1.8

1. Excluding small businesses.
2. Differences between districts by volume of shipped products.
Calculation sources: *Raiony Vologodskoi oblasti v 1990 – 1999 godakh: stat. sbornik* [Districts of the Vologda Oblast in 1990–1999: statistics collection]. Vologda, 2001. 384 p.; *Munitsipal'nye raiony i gorodskie okruga Vologodskoi oblasti. Sotsial'no-ekonomicheskie pokazateli. 2000-2015. Stat. sbornik* [Municipal districts and urban districts of the Vologda Oblast. Socio-economic indicators. 2000–2015. Statistics collection]. Vologda, 2016. 308 p.

of development of municipalities aggravated; primarily, territorial differentiation increased dramatically¹.

First of all, a significant increase in intra-regional differentiation of territories is observed in the economic sphere (*Tab. 1*).

The gap between municipal districts of the Vologda Oblast in terms of per capita volume of industrial production increased from 30 times in 1991 to 733 times in 2013, agricultural production – from 10 to 19 times, investment – from 2.5 to 160 times. In the social sphere, differences by several parameters (in particular, the number of doctors, availability of housing and retail trade turnover) have decreased by 2015.

A more detailed assessment of the differentiation and its long-term trends is essential for the regulation of the spatial structure of the regional economy, including

¹ We understand territorial differentiation as an objective phenomenon caused by a set of natural-geographical, economic, and political factors and expressed in considerable differences in the basic parameters of socio-economic development between countries, regions and municipal entities.

targeted measures aimed to support and “pull out” the depressive and underdeveloped municipalities; such an assessment is also essential for substantiating the flexible approaches in the system of intergovernmental fiscal relations at the sub-regional level, as well as economically sound approaches to institutional changes in the system of local self-government.

The second problem is the increasing concentration of economic activity in urban districts and their surrounding areas. In the Vologda Oblast, 86% of the volume of industrial production shipments (in value terms) and 79% of the investment of the Oblast are produced by two urban districts (cities of Vologda and Cherepovets), and almost 2/3 (61%) of agricultural production is produced by four districts surrounding them (Vologodsky, Gryazovetsky, Cherepovetsky and Sheksninsky districts). As a consequence, the possibilities and prospects of development for the majority of peripheral areas are decreasing; the standard of living of their residents is declining, and there is a significant migration outflow from them.

The third problem consists in a significant gap in the standard of living and quality of life in Vologda Oblast districts. In 1991–2011 and in 2013–2015, the largest wages were in Cherepovets (it is an industrial center of the Oblast); in 1991, remuneration in Cherepovets was 1.7 times greater than that in the district with the lowest value of this indicator (Chagodoshchensky District), in 2015 – 2.1 times greater (Kichmengsko-Gorodetsky District). In 2012, Nyuksensky District had the highest average monthly wages – 34,199 rubles, which is 2.9 times higher than in Kichmengsko-Gorodetsky District (11,791 rubles). In 25 districts of the Vologda Oblast in 2001–2015, the level of remuneration was below the average indicator for the Oblast; and in 11–15 regions, it was below average values for the districts. By the end of 2015, wages in fifteen districts of the Oblast did not exceed two subsistence minimums for the Oblast.

The fourth problem is a low economic and financial independence of the majority of municipal entities. The capabilities of local self-governments to address issues and problems of local importance, satisfy basic needs of the residents and provide them with decent living conditions are directly determined by the amount of financial resources accumulated in the local budget. Own sources that form local budgets in Russia (land tax and individual property tax), as well as contributions from a number of taxes, are insufficient for the formation of a revenue base of the budget and do not help solve local issues efficiently. Most (more than half) of the revenues of local budgets in Russia are still formed by gratuitous receipts from higher budgets (grants, subsidies and subventions).

By the end of 2016, 47.8% of the total revenues of all local budgets of Russia is accumulated in urban districts, 40.2% – in

municipal districts. Rural settlements account for 5.3% of the revenues, although the number of rural settlements is the greatest (about 18 thousand units).

For 2006–2016, the greatest dynamics were observed in the revenues of local budgets of settlements (the growth was 3.9 times), for 2009–2016 – in the revenues of budgets of rural districts and urban districts (1.5 times). However, in comparable prices (adjusted to the consumer price index), compared with 2009 there is a decrease in the revenues of all the local budgets (with the exception of intracity territories of cities of federal significance): on average for Russia – by 12%, for Vologda Oblast – by 25%. It should be noted that the number of issues of local importance of municipal entities (excluding settlements) increased 1.5-fold in 10 years; and the amount of state powers transferred to the local level also increased. These facts show that local governments have fewer opportunities and financial resources for a complete and quality resolution of all issues and problems of local importance.

The share of own (tax and non-tax) revenues of local budgets (excluding intracity territories) for the whole period under consideration did not exceed 60% of the total amount of revenues (*Tab. 2*). The minimum value of this indicator is observed in municipal districts (26%). In the Vologda Oblast in recent years, it has been possible to strengthen the financial base of local budgets by replacing grants with additional deductions from individual income tax, hence the share of own revenues has increased in 2006–2016 in the districts by 19.6 p.p., in the settlements – by 8.1 p.p. However, we are worried by the fact that by 2016 compared to 2009 this figure declined markedly in urban districts: in Russia as a whole – by 9.3 p.p. (in the Vologda Oblast – by 16.8 p.p.).

Table 2. Share of own (tax and non-tax) revenues of the budgets of municipal entities of the Russian Federation and the Vologda Oblast in 2006–2016 in the total amount of revenues, %

Type of municipal entity	2006	2009	2015	2016	2016 to 2006, p.p.	2006 to 2009, p.p.
Rural settlements	-	-	-	40.7	-	-
- including the Vologda Oblast	-	-	-	27.8	-	-
Urban settlements	-	-	-	58.6	-	-
- including the Vologda Oblast	-	-	-	49.0	-	-
Urban and rural settlements	33.3	40.6	48.5	48.6	+15.4	+8.0
- including the Vologda Oblast	28.4	34.4	38.9	36.5	+8.1	+2.1
Municipal districts	27.6	24.9	25.2	26.0	-1.5	+1.1
- including the Vologda Oblast	15.4	17.7	29.7	35.0	+19.6	+17.3
Urban districts	49.6	51.6	43.3	42.3	-7.3	-9.3
- including the Vologda Oblast	44.8	62.7	44.5	45.9	+1.1	-16.8
Intracity municipal entities of cities of federal importance	77.0	55.0	75.7	75.4	-1.6	+20.4
Local budgets (2006**)	46.4	-	-	-	-	-
Intracity districts	-	-	-	33.1	-	-
Urban districts with intracity division	-	-	-	41.6	-	-
All municipal entities	39.7	39.6	36.6	36.5	-3.1	-3.1
- including the Vologda Oblast	32.2	38.9	36.9	39.8	+7.6	+0.9

** Budgets of municipal entities which did not belong to settlements, rural districts or city districts in 2006 (in those subjects of the Russian Federation in which Federal Law 131-FZ did not come into full force since January 1, 2006).
Calculation sources: Reports on execution of consolidated budgets of constituent entities of the Russian Federation and budgets of territorial state off-budget funds. *Official website of the Federal Treasury*. Available at: <http://www.roskazna.ru/ispolnenie-byudzhetov/konsolidirovannye-byudzhetny-subektov/>

The share of own revenues (tax and non-tax budget revenues) of municipal districts of the Vologda Oblast in 2006–2016 was less than 50%.

The structure of expenditures of local budgets is dominated by expenditures on education (48.1% of all expenditures), housing and utilities (12.6%), national economy (10.7%), management – national issues (9.3%). In the budgets of settlements, the shares of expenditures on management, housing, and culture are higher (22.3, 35.1 and 15.1%, respectively). In 2006–2016 in general in the municipalities of Russia, there was a decline in the share of expenditures on healthcare (these powers were actually transferred to the level of Federation subject) and housing and utilities. At the same time, there was an increase in the

expenditures on the national economy: from 1.4 to 13.8%. Nevertheless, this is mainly due to the fact that this section includes expenditures on road industry and transport. While the share of expenditures on the real sector of the economy (agriculture and forestry) in the structure of expenditures under the section “national economy” in the municipal districts of the Vologda Oblast in 2016 was only 3.9%.

The fifth problem lies in the fact that the sustainability of socio-economic differentiation of the territories is affected by lingering issues in the functioning of local self-government, and the lack of economically motivated and most productive innovations in its institutional structure. The ongoing changes in this regard are characterized by the absence of economic justification and clear goal setting.

Table 3. Evaluation of the changes under the reform of local self-government (percentage of respondents – heads of municipal entities)

Answer	Municipal entities								
	Municipal districts			Urban settlements			Rural settlements		
	2006	2015	2016	2006	2015	2016	2006	2015	2016
Positive	57.1	41.2	16.7	77.8	30.0	35.7	63.5	27.3	25.3
The situation has not changed	42.9	35.3	72.2	0.0	30.0	57.1	21.2	36.4	37.4
Negative	0.0	23.5	11.1	22.2	40.0	7.1	15.3	36.4	37.4

Source: Database of the monitoring of the conditions of reforming local self-government institution of the Vologda Oblast. VoIRC RAS (formerly named ISEDT RAS, Vologda, 2007–2017).

According to a questionnaire survey of heads of municipal entities of the Vologda Oblast², only from 17 to 36% of the respondents pointed out that the results of the changes caused by the reform of local self-government by the end of 2016 were positive. The proportion of positive assessments decreased significantly, compared with the 2006 level (*Tab. 3*).

Local authorities are unable to address efficiently the issues of socio-economic development of municipal entities, because there exist several unresolved problems; the most significant of them, in the opinion of heads of administrations, are as follows:

- flaws in the legislation concerning the functioning and development of local self-government;
- lack of financial resources (lack of own revenue sources, lack of financial support from the state);
- lack of effective interaction with public authorities (red tape, lack of coherence in the policy documents aimed at the development of territories, inconsistency of the system of division of powers, etc.);

² For the purpose of studying the problems and prospects of local self-government reform, Vologda Research Center of the Russian Academy of Sciences (VoIRC RAS, formerly named ISEDT RAS) since 2007 carries out a questionnaire survey of heads of municipal entities of the Vologda Oblast. Questionnaires (30–40 questions) are filled in annually by 160–210 heads of municipal entities out of 218–372, which allows sampling error to be 4–5%. The heads assess the results of the past calendar year: for example, in the 2017 poll, they assess the end of 2017.

- lack of complete and reliable information on the socio-economic development of municipalities and their tax potential;
- non-involvement of the local population and absence of mechanisms that would take into consideration the balance of interests of business, government and people in the process of territories development.

The sixth problem consists in the fact that the current situation is aggravated by a shortage of skilled personnel in local self-government agencies. Effective functioning of local self-government is also hampered by low human potential of its employees. More than one third of the heads of districts of the Vologda Oblast point out that the number of the local administration staff is very low and low. In addition, according to most of them, the level of professionalism and competence of municipal employees can only be assessed as satisfactory (in 2016 this was indicated by 69% of the heads of municipal districts, by 79% of the heads of urban settlements, and by 46% of the heads of rural settlements).

Personnel problems are largely associated with low wages in local self-government agencies, a relative unpopularity of employment in such agencies among the most active young population, and the unattractiveness of life in rural areas. Thus, according to Rosstat, the average Russian wage in local self-government agencies in 2016 was only 78.7% of the average wage in the economy (excluding small

businesses), and in the Central and Siberian federal districts – even less (63% and 78%, respectively).

The seventh problem consists in a low efficiency and effectiveness of interaction between regional state authorities and local self-government authorities.

The majority of heads of municipal entities of the Oblast in 2016 assessed the results of cooperation with state authorities of the Oblast as low and satisfactory, except for only 4–5 executive authorities. The heads see the main reasons for such a situation in the financial dependence of municipal authorities (this was indicated by 83% of the heads of municipal districts, by 79% of the heads of urban districts and by 69% of the heads of rural settlements), in the fact that the state authorities do not have the information about the real situation in the municipalities (50%, 29% and 64%, respectively), the absence of a differential policy concerning the territories with different levels of socio-economic development (50%, 50% and 42%), and the inconsistency of the system of separation of powers (44%, 36%, 42%).

In addition, effective management of municipal development is hampered by legislative and legal difficulties, obstacles and limitations. Despite the fact that, compared with the initial one, the number of local issues of districts, urban districts and urban settlements increased 1.5-fold, there was no substantial redistribution of the respective income sources of the budget between the levels of government. At the same time there was a significant increase in the number of state powers transferred to the municipal level. In addition, sectoral legislation does not define clearly the powers of local self-government. We can also point out the inconsistency of the system of separation of powers, and the discrepancy between some issues of local importance and the nature and content of local self-government.

The territorial structure of municipal entities remains inefficient. The network of municipalities was formed on the basis of transport and walking distance of the center of the municipal entity mainly within the boundaries of the former rural and town councils, but without taking into account the criteria of formation of financial-economic basis of municipal entity in modern conditions. These problems are typical of the majority of municipal entities in all constituent entities of the Russian Federation. In order to solve them it is necessary, first of all, to have an effective system of public administration in the development of territories, and the support of local self-government institution.

Managing spatial development of the country should be based on a unified regional policy, a clear understanding of the priorities, specifics, and prospects of development of various territories of the country. Conceptual provisions of the policy should be enshrined in legislation.

In accordance with the Decree of the President of the Russian Federation No. 13 “On approving the fundamentals of state policy of regional development of the Russian Federation for the period till 2025” dated January 16, one of the principles of this policy is the necessity to apply a differentiated approach to the provision of state support to regions and municipal entities according to their socio-economic and geographical features.

According to Federal Law 172-FZ “On strategic planning in the Russian Federation” dated June 28, 2017, the strategy for spatial development of the Russian Federation is developed in accordance with the principles of state policy of regional development of Russia in order to implement main provisions of the strategy for socio-economic development and the national security strategy of Russia, determines the priorities, goals and objectives of

regional development of the Russian Federation and measures for their achievement. It is planned to develop this Strategy in 2018.

As of the beginning of October 2017, no draft Strategy has been officially published. However, since 2016, various scientific and public circles are discussing the draft spatial development strategy of the Russian Federation. On the Internet we can find a draft “Concept of the spatial development strategy of the Russian Federation for the period up to 2030”³, so we can assume that this very document is being discussed and, in general, it is still being finalized. Having reviewed the existing version of the Strategy, we can make several essential conclusions.

1. The draft Strategy provides for three scenarios of spatial development of the country: conservative, polarized development, and diversified spatial growth. However, in this case, the real possibilities, conditions, threats and risks in the implementation of each scenario were not analyzed. Declaring the implementation of the third scenario as a target one may remain only a “beautiful picture”, as it is not supported by any specific mechanisms.

2. An important objective of the Strategy for spatial development of Russia in the long-term period is to create macro-regions that will make it possible to integrate all regions into one economic space while maintaining their independence. At the same time, the draft Strategy has no understanding of the criteria on the basis of which these regions will be formed, given the fact that there is a coherent system of management in the framework of federal districts. In addition, the envisaged gradual formation of macro-regions until 2050

³ Draft concept for the spatial development strategy of the Russian Federation for the period up to 2030. Available at: http://карьеры-евразии.рф/uploadedFiles/files/Kontseptsiya_SPR.pdf.

is unlikely to ensure effective management of integrated spatial development of the country.

3. The Strategy has completely ignored rural areas, in which 26% of the population now lives. Reliance on the metropolitan areas, conurbations, and the “cluster network model” will cause the population abandon rural areas, because the influence of agglomeration effects cannot spread to the entire territory of large constituent entities of Russia. Therefore, in this case the task of development of the regional periphery will not be addressed, in fact.

The draft Strategy for spatial development does not consider problems of local self-government and development of municipal entities.

Thus, in our view, it is necessary to carry out large-scale discussion of the spatial development strategy of the country with participation of relevant scientific and educational institutions, federal and regional authorities, local self-government authorities, and non-governmental organizations with the aim of preparing an actual high-quality and up-to-date document rather than another example of lofty rhetoric that will never be implemented.

We should also point out that local self-government institution in Russia is in the continuous and sometimes unpredictable process of reformation. For 14 years, since the adoption of Federal Law “On general principles of organization of local self-government in the Russian Federation” dated October 5, 2003 (hereinafter – 131-FZ), more than 100 amendments were introduced in it. However, as practice shows, the majority of these amendments focused on the organizational basis of the functioning of local self-government (addressing new issues of local significance, refinement and modification of elements of the system of municipal management, etc.) rather than on the strengthening of financial and economic independence of municipal entities.

In recent years (2014–2017), the following amendments introduced by various federal laws in Law 131-FZ were the most significant decisions made at the federal level and aimed to influence the functioning of local self-government institution.

1. Federal Law 136-FZ dated May 27, 2014 reduced the number of issues of local importance of rural settlements to 13. At the same time, a law of the constituent entity of the Russian Federation can assign certain issues of urban settlements to rural settlements.

2. Public authorities of Russian Federation subjects have acquired the right to determine on their own the procedure of formation (election) of local self-governments bodies throughout the region, by adopting a relevant law. Before Law 136-FZ was adopted, this procedure was determined at the local level (in the charters of municipal entities). The adoption of this law led to the fact that in a large number of Russia's constituent entities (including the Vologda Oblast) the direct election of heads of municipalities by the population in municipal elections was replaced by the election of the head by a representative body of the municipal entity from among its members. In this case, heads of local administrations ("city managers") are appointed by a representative body of the municipal entity according to the results of a contest held by the contest committee, half of whose members are elected by a higher official of the subject of Federation (the Governor). In some cases (including in the Vologda Oblast) the contest committee was headed by the Governor himself. Therefore, in reality, it means the weakening of local self-government institution and further strengthening of the power vertical, rather than improving the efficiency of functioning of local self-government, as it was stated.

In accordance with Federal Law 8-FZ dated February 3, 2015, the head of the municipal entity can now be elected by the representative body of the municipal entity from among the candidates presented by the contest committee according to the results of the competition, and be in charge of the local administration. In this case, residents of the municipality do not participate in the formation of the local executive power at all.

3. Federal Law 62-FZ dated April 3, 2017 established the possibility of actually converting municipal districts into urban districts by uniting all of the settlements within the municipal district with the urban district.

Our general impression of Federal Law 62-FZ is that it represents another attempt to weaken the role of local self-government institution. One gets the feeling that, despite the fact that the draft law (Draft Law 768237-6) was submitted to the State Duma on April 13, 2015 (however, in its original version it provided only for changing the procedure of decision-making on several conversions of municipal entities), it was adopted in a hurry, without wide public discussions, and its possible consequences were not analyzed. In addition, there certain contradictions that arise in 131-FZ after introducing amendments into it; in particular, now the urban district (Article 2, 131-FZ) means "one or several settlements united into one territory...", but it remains unclear whether the presence of urban settlement (city, urban-type settlement) is obligatory in this case. However, according to Article 11 of Federal Law 131-FZ, "the boundaries of the urban district are defined with regard to the necessity of creating the conditions for the development of its social, transport and other infrastructure, provision of the unity of municipal economy by local self-government authorities of the urban district...".

The majority of municipalities in Russia are sparsely populated. For instance, according to the Federal State Statistics Service of Russia (Rosstat), as of January 1, 2017, population size was less than 50 thousand people in 52.6% of urban districts of Russia; population size was less than 20 thousand people in 46.8% of municipal districts (in the Vologda Oblast – in 65.4% of its districts); population size was less than 10 thousand people in 59.9% of urban settlements (in the Vologda Oblast – in 68.2% of settlements); population size was less than 1 thousand people in 45.2% of rural settlements (in the Vologda Oblast – in 41.7% of rural settlements).

The presence of an excessive number of small and underdeveloped municipal entities leads to irrational expenditure of budget funds. Such municipalities often spend more than half of local budget funds on the functioning of their own authorities, and very little funding remains that is allocated to the development of the territory and solution of local problems.

In the Vologda Oblast since January 1, 2006, there are 372 municipalities. As a result of two phases of unification of settlements (2008–2010 and 2013–2016), the total number of municipalities in the Oblast decreased by 154 units and was 218 at the beginning of 2017, including two urban districts (Vologda and Cherepovets), 26 municipal districts, 22 urban settlements, and 168 rural settlements. The Vologda Oblast Government made a decision that the financial means that were saved after reducing the number of employees of local self-government bodies of abolished settlements will be allocated to local budgets in the form of transfers. From 2018 forward, the Vologda Oblast is planning to launch the unification of the settlements with population less than 1,000 people. In this regard, studies carried out by ISEDТ RAS [7] show that as a rule, the unification procedure

included underdeveloped settlements, and we cannot expect any significant improvement in their development. According to annual questionnaire surveys of heads of municipal entities of the Vologda Oblast carried out by ISEDТ RAS, only 17% of the interviewed heads of districts and only 21% of heads of rural settlements positively assess the changes that have occurred on the territory of the united municipalities.

Therefore, the discussion of whether the settlement level of local self-government is necessary is going on in different scientific and governmental structures, and it started almost immediately after the entry of Federal Law 131-FZ into force.

However, the liquidation of settlements and the transformation of rural districts into urban districts, in our opinion, will reduce the availability of government bodies and relevant services to the population of remote territories, the possibilities of the population in the direct exercise of power on site will be reduced (it could happen that people's initiatives would not be heard because the authorities would be far from them and they would be engaged in addressing the issues of overall development of the municipality rather than those of the territories of abolished settlements).

In the Vologda Oblast, the possibility of such reforms was declared immediately after the entry of Federal Law 62-FZ into force. It is proposed to unite all settlements of Kaduysky Municipal District and to create an urban district instead of the rural district, thereby eliminating the settlement level of management. The initiative of this conversion came from the head of the district and was supported by the Vologda Oblast Governor. At the end of April 2017, in Kaduysky District, a public hearing on this issue was held; however, the majority of its participants voted against the establishment of an urban district. At the same time a working

group was created, and it will consider in more detail the possibility and feasibility of these reforms in Kaduysky District⁴.

In the Vologda Oblast, 15 municipal districts out of 26 have urban settlements. In addition, the administrative centers of Vologodsky and Cherepovetsky districts are the cities of Vologda and Cherepovets, which are urban districts, and they can include all of the settlements of these districts into their composition. Accordingly, in the territory of the Vologda Oblast there is a possibility of converting its municipal districts to urban districts and forming 17 new large urban districts. Thus, it is premature to make any definite conclusions about the consequences of adopting Federal Law 62-FZ. We think that now the most important thing that should be done in this case is to prevent the strengthening of the vertical and centralization of power and the reduction in the availability of authorities to the population and in the quality and availability of public services.

Conclusion. We think it is important to make some essential comments and suggestions concerning further improvement of the legislation regulating municipal structure and elimination of possible negative consequences of adoption of Federal Law 62-FZ.

1. The possibility and desirability of transforming municipal districts into urban districts and eliminating rural settlements must be considered individually for each district after analyzing⁵ all socio-economic aspects, consequences, and risks of such a decision and calculating and assessing the effectiveness of this transformation.

2. When making a decision about the unification of the settlements with the urban district, the transformation of urban settlements

into rural and vice versa, it is advisable to take into account the views of the people expressed by voting provided for in Part 3 and Part 4 of Article 24 of Federal Law 131-FZ (that is, at the local referendum). Such referendums can be held in nationwide election days simultaneously with the election of the President of Russia, governors, and deputies of all levels; this will help save a significant amount of funds.

3. If a municipal district is transformed into an urban district, it is necessary to ensure representation of local self-government bodies of the newly-formed urban district in the former settlements (to create territorial units of the urban district administration). When designing and implementing the strategy for socio-economic development of such urban districts, it is important to take into account the specifics, conditions and development prospects of the entire urban district rather than the administrative center alone.

4. Transformation of a municipal district into an urban district in the presence of appropriate economic prerequisites can be used as a model for managing an urban agglomeration. In this case all the municipal entities (including districts) that are part of the agglomeration are unified, and a single urban district is formed. Here it is also necessary to form territorial divisions of the district administration in the former settlements. The activities to prepare the recommendations on the mechanisms for management of agglomerations are set out in the road map on the development of agglomerations in Russia⁶.

5. It is necessary to resolve all the contradictions and ambiguities that appeared after the adoption of Federal Law 62-FZ, to check the consistency of these decisions with

⁴ Unbreakable Union... *Newspaper "Premier"*, 2017 May 9, no. 18 (1017). Available at: <http://premier.region35.ru/gazeta/np1017/s29.html>

⁵ The algorithm of such analysis is presented, for example, in the article [18].

⁶ The action plan (road map) "Development of agglomerations in the Russian Federation". *Ministry of Economic Development of the Russian Federation*. Available at: <http://economy.gov.ru/minec/activity/sections/planning/wg/dk>

other legal acts (urban development and land codes, etc.) in this field.

Based on the above analysis, we should also note some points concerning the development of local self-government institution in general.

1. It is necessary to make an inventory of the powers of local self-government: to eliminate vague and ambiguous wording; to eliminate overlapping responsibilities between different management levels; to ensure consistency between the powers of local self-government bodies identified in Federal Law 131-FZ and the powers identified in other federal laws.

2. It is important to implement a set of measures to strengthen the financial-economic foundations of municipal entities, that is, to ensure that the volume of own and delegated powers assigned to that level of power corresponds to the volume of revenue sources of the budgets. This can be achieved by transferring to local budgets the tax rate of corporate income tax (with the exception of consolidated groups of taxpayers) at the rate of 2% (from 2017 forward, the federal budget receives revenues at the rate of 3%), the proceeds from which are allocated to the federal budget; this measure, according to our calculations, would increase the total revenues of local budgets in 2016 throughout Russia by 223.7 billion rubles, or by 6.1% (in the Vologda Oblast – by 834.2 million rubles, or by 2.8%). As a result, the share of own revenues of local budgets in Russia as a whole will rise from 36.5 to 40.2% (in the Vologda Oblast – from 39.8 to 41.5%). Revenues from this tax will make it possible to abandon the allocation of subsidies to several municipalities and to eliminate the deficit of local budgets.

3. It is necessary to resolve the issues and remove legal obstacles to the development of various forms of inter-municipal cooperation. To do this, it is possible to adopt a special federal

law “On inter-municipal cooperation” or “On inter-municipal economic cooperation”. For example, the experience of Germany shows the importance and effectiveness of such collaboration in addressing local issues and problems [19].

4. It is important to provide conditions for increasing the role of territorial public self-government (its role is substantiated, for example, in [20]), local referendums and other institutions of people’s self-organization in addressing issues and problems of local importance. According to a monitoring held by the Ministry of Justice⁷, in the territories of more than 4.8 thousand municipal entities that represent 76 Russian Federation subjects there are 27.6 thousand territorial public self-government units, whose charters are registered with the local self-government authorities, of which about 2.5 thousand are registered as nonprofit organizations. About 15.5 thousand territorial public self-government units were created in the territories of urban settlements, urban districts and cities of federal importance; about 12.1 thousand – in the territories of rural settlements. More than 400 municipalities cooperate with 2.5 thousand territorial public self-government units on the basis of agreements that provide for their use of budget funds to implement site improvements and also to address other local issues. Territorial public self-government is developed to the greatest extent in the republics of Bashkortostan, Buryatia and Mari El, in Krasnodar Krai (in this region there are six thousand territorial public self-government units, covering the territory of all municipalities), and in the Arkhangelsk, Belgorod, Voronezh, Kirov, and Tambov oblasts.

⁷ Information and analytical materials on the development of local self-government in the Russian Federation (data as of 2016 – beginning of 2017). *Ministry of Justice of the Russian Federation*. Available at: http://minjust.ru/sites/default/files/monitoring-msu-2017_11283.docx

Local referendum is one of the forms in which the people can directly engage in local self-government. According to the same monitoring of the Ministry of Justice, in 2016, 1,555 local referendums were held in 10 constituent entities of the Russian Federation. In the vast majority of cases, local referendums were associated with the introduction of a mechanism of self-taxation (1,554 referendums). Village chiefs have been appointed (elected) and now work in 24.1 thousand rural settlements covering about 4.3 thousand municipal entities (of which 3.8 thousand are villages) within 42 constituent entities of the Russian Federation. This institution is most prevalent in the Udmurt and Chuvash republics, in the Vladimir, Vologda, Leningrad, Tver, Tula, and Nizhny Novgorod Oblasts; moreover, in the Tver Oblast (7.1 thousand) and in the Udmurt Republic (2.1 thousand), they operate in the majority of rural settlements. At the same time the most common forms of civic engagement are meetings of citizens (in 2016, they were carried out 85.9 thousand times) and public hearings (95.6 thousand times in 2016). Surveys of citizens are conducted less frequently – 5.1 thousand times in 2016, as well as conferences (meeting of delegates) – 5.5 thousand times in 2016.

5. It is advisable to create (possibly on the basis of the All-Russian Congress of Municipal Entities) an annually updated database of best practices of municipal administration on all the matters of local importance.

6. The necessity to develop municipal statistics is currently a pressing issue. Managing the development of territories requires the availability of timely and reliable statistical information on the socio-economic development of municipal entities. However, in this case there are certain problems that require urgent solving:

– there is no official indicator similar to GDP and GRP for the municipal level;

– there is a reduction in the amount and completeness of statistical reporting in the context of municipal entities (e.g. since 2014, in the Vologda Oblast, the data on the indices of physical volume of investments in fixed capital in the context of rural and urban districts are not published; the data on several indicators do not consider the subjects of small entrepreneurship; individual indicators do not reflect the data on some municipalities; the indicator “volume of industrial production” is replaced by “shipped goods of own production”, the data on which, as well as the data on the volumes of production in physical quantities, are missing for some rural districts and types of economic activity; the data on the number of employees and the financial and economic performance of enterprises by types of economic activities of manufacturing, etc. are not published);

– there is no widely accepted methodology and appropriate statistical accounting of indicators to valuate the capacity (resources) for the development of municipal entities.

7. In our view, it is also necessary to develop and adopt a concept or strategy for development of Russian local self-government institution.

In addition, it is advisable to develop a new presidential decree “On the foundations of governmental policy in the field of local self-government development in the Russian Federation” instead of Decree 1370 dated October 15, 1999. Subsequently, this will probably require the adoption of a new federal law “On general principles of organizing local self-government in the Russian Federation”. In our opinion, this policy needs to be systemic, and it should include economically substantiated measures of “leveling” the territories (there can be no full alignment; consequently, some reasonable measure should be justified); flexible state support for different

types of municipalities, including the system of intraregional fiscal relations, by methods of economic justification of transformation of the institutional structure of local self-government in the region, etc. In this case, it is important to classify municipal entities within the constituent entity of Russia for the purposes of carrying out flexible target policy of spatial regulation of regional economy. There are certain difficulties in such classification; they are due to the necessity to combine different approaches to classifying, based on quantitative and qualitative indicators of certain territories for the purposes of management of territories.

The analysis of differentiation trends and factors for municipalities, their growth potential and so on is a “universal key” to addressing many issues in the framework of the policy of socio-economic development of territories. These issues are as follows: a) the rationale for the measures in the system of program-target methods of management of spatial development of the region’s economy, including target measures to support and “pull out” the depressive and backward municipalities; b) the rationale for flexible approaches in the system of interregional fiscal relations at the sub-regional level; c) the choice of methods and institutions of cluster policy in economic development of territories; d) justification of solutions to the social problems of different types of territories,

including the regulation of migration processes, etc.; d) justification of informal, economically motivated approaches to institutional changes in the system of local self-government.

Thus, the results of the study showed the presence of many problems in the development of municipal entities. This requires serious scientific research on the formation of an effective model and system to manage spatial development of the country and its regions; development of conceptual framework to improve and further develop local self-government institution and to solve more specific applied problems, for example, relating to determining the acceptable level of inter-municipal differences that would not lead to negative consequences. The ideas and activities proposed in the present article are partly polemical, and they provide opportunities for further discussions on the subject. Thus, the contribution of the research, the results of which are presented in our article, to the development of theoretical science consists in the scientific understanding of the impacts of reforming local self-government institution on the development of municipal entities; its contribution to the development of applied science consists in the substantiation of specific recommendations on improving governmental policy in the field of development of local self-government and elimination of negative effects of its reform.

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