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New Basic Principles of the State Policy in an Area of Local Self-Government Development in Russia



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Abstract. The purpose of the article is to highlight the most important economic, legal, and institutional foundations which are advised to be included in the new “Basic principles of national policy on local self-government development through to 2030”. It was concluded that it was a late decision to prepare a new version of the Principles which caused significant difficulties in the practical implementation of reforms in the municipal environment of the Russian Federation along with many gaps and numerous subsequent additions and amendments in Federal Law no. 131-FZ “On the general principles of the organization of local self-government in the Russian Federation”. Nowadays, update of the Principles is very important. It is related to five significant novations which make us reexamine aims and instruments of the state policy in the local self-government area. The first one is a global trend of management decentralization that noticeably strengthens the role of a local link of socio-economic systems. The second important novation is the relevance of a task to implement “federalization” of the government’s management of local self-government. The third novation is a necessity to naturally include local self-government in a unified vertical of strategic planning: its efficient functioning takes a crucial part in providing sustainability of the country, its regions, and municipal territories’ socio-economic development. The fourth demanded novation is expediency to secure a formula, or a principle, that would allow stopping an infinite series of reorganizations of Russian self-government together with various dividing and unifying processes in this sphere. Finally, the fifth novation is a necessity to finish the transformation of Russian local self-government from a low-level component of the administrative and command system into a

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socio-economic institution that naturally combines features of social authority and the beginning of a modern civil society and practically implements an institutional principle of “independent solution of local issues by people”.

Key words: local self-government, transformations in the municipal environment, state policy for local self-government development, federal entities, civil society.

Introduction

The approval and efficient functioning of the strategic planning system are possible only with its implementation on the basis of a power-management “vertical” with a balanced range of powers and responsibilities at all levels. The system of institutions of local self-government becomes a necessary component of this vertical and the whole economic and legal mechanism of federal relations. A fair opinion has been firmly established that local self-government, combining the attributes of public authority and the principles of civil society, allows implementing population’s initiatives, strengthening the measure of its initiative and responsibility for territories’ stable socio-economic development. At the same time, in modern foreign economic theory, the role of local self-government, being an institution that can “relieve” public administration authorities of excessive administrative functions with an opportunity to focus on national strategic tasks and provide conditions for its solution, is of similar importance [1; 2].

The increasing role of local self-government in addressing the key issues of socio-economic development creates, however, a growing difficulty of ensuring a balance between the role of these institutions as public authority, working closely with all government management structures, and, simultaneously, as an institution of civil society aimed at maximum implementation of methods of direct or direct people’s rule. Besides, using the principles of civil society, local self-government always

acts in a rigid legal framework of legislative regulations. Moreover, terms of a federal government originally imply specifics of local self-government institutions’ development [3], as a balance of regulatory origins coming from a federal center and entities of the Federation, too [4]. The mechanism of these principles’ implementation includes state concepts, or a program of local self-government development, a new version of which is currently extremely demanded not only for the interests of the country’s economy but also for its sustainable socio-political development.

Description of the research methodology and justification of its selection

The justification of the selection of the paper’s topic is connected with the existence of significant risks that a new stage of conceptual documents’ development, related to state policy concerning Russia’s local self-government, may repeat previous mistakes. It is about documents in which proposed changes in the area of local self-government were not sufficiently linked to development of the Russian model of federalism, it did not set specific goals for planned changes, and did not form clear ideas about the solution of problems. The methodology of our research is based on a combination of economic, legal, and institutional approaches to assessing the problems and prospects for development of Russian local self-government, a consideration of inevitable diversity in the formation and activities of municipal communities in various

regions of Russia. It should be noted that problems of creating new “Basic principles of national policy on local self-government development through to 2030” (hereinafter – Principles), as a document of strategic planning, was not basically considered from scientific point of view. Because of this, the scientific novelty of the research is the justification of ways to “include” municipal link of management in the “vertical” of strategic planning and development of ideas about a dual nature of local government as a public authority and an institution of civil society. This duality is interpreted not as a contradiction but as a complementary mechanism that allows integrating the efforts of public authorities, representatives of civil society, and entire population in implementing a unified strategy for the socio-economic transformation and achievement of national development goals in the Russian Federation.

Principles as an element of the institutional component of strategic planning

A meeting of the Council for Local Self-Government Development (hereinafter – Council), which happened on January 30, 2020 and was devoted to the role of local self-government in the implementation of national projects¹, covered a wide range of issues related to the functioning and further transformation of municipal space in the Russian Federation. It is possible to say that the Council’s work, its results, and recommendations disrupted quite a long period of blatant silence and the absence of clear prospects of Russian self-government’s following development. Previous similar events included, for example, the All-Russian Congress of Municipalities, conducted in Suzdal on November 2013, and the following

¹ Meeting of the Council for Local Self-Government Development. Available at: <http://kremlin.ru/events/president/news/62701>

meeting of the RF President V.V. Putin with some members of this congress in Moscow. A formal occasion for these events was the “triple” anniversary of several events that are essential for the functioning of local self-government system in the country.

First of all, 10 years since the adoption of Federal Law “On the general principles of the organization of local self-government in the Russian Federation”, 15 years since the ratification of European Charter of Local Self-Government, and 20 years since the adoption of the current Constitution of the Russian Federation. In the resolution of this congress, quite critically assessing a state of all components of Russian municipalities’ development, “long- and medium-term elaboration of main areas of local self-government development in the Russian Federation” was called “necessary and sensible”². However, in fact, such a document, as the basis of this vector of the state’s socio-economic policy, did not appear at that stage.

Adoption of Federal Law “On strategic planning in the Russian Federation”³ in 2014 gave some hopes to believe that a subject of such planning will be not just different economic and social processes in the country but the novations of institutional nature that should have provided executability of all other goals of strategic planning. However, the institutional component of strategic planning, in fact, was not implemented, and such institutions, which are systematically important for the country and its economy, like federative structure and

² The resolution of All-Russian Congress of Municipalities. Available at: <http://www.vsmsinfo.ru/vserossijskij-s-ezd-munitsipalnykh-obrazovanij/rezolyutsiya-vserossijskogo-s-ezda-munitsipalnogo-obrazovaniya>.

³ On strategic planning in the Russian Federation: Federal Law no. 172-FZ, dated June 28, 2014. Available at: http://www.consultant.ru/document/cons_doc_LAW_164841/

the organization of local self-government did not receive a strategic perspective for the future [5].

In this sense, the RF President V.V. Putin's initiative, proposed at the Council on January 30, 2020, "to start drafting new basic principles of national policy on local self-government development through to 2030" should be assessed as very important and relevant. What should we start from in this work, what should we accept from what we have already learned, and what should we reject? To answer these questions, it is necessary to refer to documents that are currently formally available for this area. Before the drafting and adoption of the new Principles, a document "Basic principles of national policy on local self-government development in the Russian Federation" remains officially active. It was adopted in 1999⁴, and, currently, it is registered in legal databases as active.

Reading of the "Basic principles..." of 1999 gives certain reasons for thinking about expectations from a new similar document. Surely, from a current point of view and the country's accumulated experience of political and socio-economic transformations, it is possible to argue that the key theses of this document are too declarative and vague. This is what often creates an impression that, even now, a number of provisions in documents on local self-government development are constantly repeated. However, it is not always true, because many documents repeatedly simply double inaccuracies, which were originally formed in a constitutional and legal framework of Russian local self-government, and/or defects of the formation of its economic foundations.

⁴ On the approval of basic principles of national policy on local self-government development in the Russian Federation: Presidential Decree no. 1370, dated October 15, 1999. Available at: http://www.consultant.ru/document/cons_doc_LAW_24661/

For example, the "Basic principles..." of 1999 just repeated one constitutional thesis which is de facto invalid. This is a thesis on the right of local self-government to "establish local taxes and fees". In fact, local self-government of the Russian Federation cannot set local taxes (it is set only by the federal legislator) but only introduce, collect, and, within certain limits, administer these taxes. The "Basic principles..." pointed to the need to "reallocate federal budget funds, directed at consolidated budgets of the Russian Federation's entities, ensuring a financial independence of municipalities in order to resolve issues related to its competences". However, in the course of reforms in the system of Russian local self-government on the basis of 131-FZ of 2003⁵, changes in the structure of consolidated budgets of the Federation's entities moved in the opposite direction: the share of local budgets in it decreased, not increased. Scarce financial resources of Russian self-government were simply "smeared" all over thousands of new municipal budgets [6].

We think that the following thesis from the "Basic principles..." of 1999 is very important: "serious difficulties in practical activities of local self-government cause ambiguities in the understanding of certain norms of Russian municipal law, including ones ensured by the Constitution of the Russian Federation". The document did not clarify an exact meaning of it, but, until now, amendments to this block of constitutional provisions have not appeared. Although, this need may be considered fully conscious exactly now. It is important, however, that a reform of legal foundations of Russian local self-government should not stop at the

⁵ Basic principles of national policy on local self-government development in the Russian Federation: Federal Law no. 131-FZ, dated October 6, 2003. Available at: http://www.consultant.ru/document/cons_doc_LAW_44571/

level of constitutional amendments, but it should lead to their detailed interpretation in federal laws that affect this block of issues in one way or another.

Nevertheless, a number of important provisions of the “Basic principles...” of 1999 may be considered at least formally implemented. The document pointed to the existence of territories in the Russian Federation where the population could not actually exercise their right to local self-government. Currently, there are no such gaps in the country except, of course, the problematic organization of local self-government in federative cities – Moscow and St. Petersburg [7]. In these megalopolises, a major part of population either has no idea about the existence of a special institution of inner-city municipalities or associates it with district councils, although, in fact, it is not local self-government (for example, in Moscow, district councils are the lowest link of the Moscow Government apparatus as a federal entity).

In the “Basic principles...” of 1999, it was noted that there were ambiguities regarding the separation of powers between local self-government and state authorities. It may be argued that, in general, this problem was solved during the adoption of the aforementioned 131-FZ, when a list of “own” powers on local issues was formed for each type of municipality, and then the institution of so-called “voluntary” powers was introduced [8]. The problem, however, is that, in the entire period after the adoption of the 131-FZ, a list of “own”, i.e. mandatory, powers of municipalities has constantly increased, and a range of revenue sources for local budgets has not been seriously expanded. Local self-government, especially at the settlement level, has not become economically viable. Although rural settlements account for, approximately,

80% of all active municipalities, they account for only 7.4% of local budgets’ own revenues. Such self-government lost the trust and respect of population or, as experts noted, “self-government of population” gradually turned into “self-government of municipal officials”.

An actual range of emerging problems with the practical implementation of the 131-FZ on local self-government has revealed an obvious fact that the “Basic principles...” of state policy in this area, approved in 1999, are outdated and need to be updated in order to set goals for ongoing reforms. However, this demand, as noted above, did not get a real feedback, which gives an exceptional socio-political significance to the RF President’s initiative to prepare the new Principles.

Consistency and concreteness as the basis of design for Russian local self-government

A proposal of the President of the Russian Federation to develop a new “Basic principles of national policy on local self-government development through to 2030” gives a real chance to move from petty and often inconsistent adjustments in the economic and legal framework of the Russian municipal community to a clear and goal-oriented program of actions in this direction. A central point in the new Principles will undoubtedly be an issue of closer, coordinated interaction between state and municipal authorities in the solution of priority economic and social tasks, including ones recorded in current national projects of the Russian Federation.

At the same time, it is not possible to agree with a statement that our local self-government is allegedly “separated from the government”. It seems that such attitude is like a quite simplified interpretation of Article 12 of the RF Constitution (“Local self-government bodies are not a part of the system of government authorities”). There are, at least, three

reasons why it is incorrect to speak of such “separateness”. First, main legal frameworks of the local self-government functioning in Russia, as in all countries of established democracy, are legally determined by the government (by federal and regional legislators). Second, it is not an exaggeration to say that local self-government exists on “government funds”, because, according to the latest monitoring of the Ministry of Finance of the Russian Federation (for 2019)⁶, local taxes (there are only two) account for 15.8% of tax revenues of local budgets and 6.7% of their own revenues in general. Third, a “connection” of state and municipal management is provided by a broad involvement of the municipal level in the execution of state powers, primarily the powers of federal entities (although, at the same time, there is a reverse process – redistribution of powers from municipalities to the regional level). Financing of delegated state powers is an essential component of local budgets’ expenditure part. According to estimates of the Ministry of Finance of the Russian Federation, expenditures on the exercise of government powers in 2019 amounted to 33.3% of all local budgets’ expenditures.

At the same time, as V.V. Putin noted at the Council for Local Self-Government Development on January 30, 2020, consistency of actions of government and municipal management should not result in the loss of the latter’s independence. We believe that, due to the current multiplicity of interpretations, the aforementioned constitutional formula

⁶ Information on the results of monitoring of the implementation of local budgets and interbudgetary relations in entities of the Russian Federation at regional and municipal levels for 2019. *Official website of The Ministry of Finance of the Russian Federation*. Available at: https://www.minfin.ru/ru/performance/regionsresults/Monitoring_local/results/?id_57=130321.

from Article 12 should receive an “official” specification in a new framework and in Federal Law no. 131-FZ on local self-government in paragraphs related to state regulation, state control, and state financing of local self-government.

It is equally important to avoid an endless repetition of the same general statements which have long been perceived not as a basis of real actions but as a set of slogans and exclamations. It concerns, first of all, an emphasis on strengthening a financial and budgetary basis of local self-government. In current conditions, unlike previous years, it should be achieved not by pumping funds from higher-level budgets but largely by an efficient stimulation of measures to expand and make fuller usage of municipalities’ tax potential. It is possible that a time has come to actually implement a constitutional principle of local self-government bodies’ right to establish local taxes and/or expand a list of local taxes, allowed to be imposed and collected at the local level on the basis of federal legislation [9]. It is unacceptable to further delay the solution of this problem, because only an economically self-sufficient local government can make a significant contribution to the achievement of significant priorities of the government’s socio-economic policy and take an active part in the implementation of state programs and national projects, etc.

One of the main tasks to be solved in the course of preparing the new Principles is, undoubtedly, an issue of optimal institutionalization of local self-government in the Russian Federation. At the same time, it is necessary to strictly adhere to principles of a federative government. We believe that, in this case, the new Principles could fill in or specify certain gaps in the constitutional regulation of local self-government, which were presented, as

previously mentioned, in the 1999 document. First of all, it is about the need to finally clearly define what exactly are those “general principles” of the organization of local self-government, the establishment of which, according to the Constitution of the Russian Federation (Paragraph “n” Art. 72), refers to powers according to entities of the Russian Federation and its entities’ joint management. Moreover, in relation to this sphere of socio-economic relations, it is necessary to specify the mechanism of “joint management”. Specifically, to distinguish between issues that are subjected to the regulation by the federal legislator and ones that should be subjected to the agreement with entities of the Russian Federation in a certain way [10].

We consider such a targeted load to be of fundamental importance, because 131-FZ, in comparison with previous local self-government legislation, although it tried to copy the German experience of organizing local self-government [11], actually had an “anti-federative” nature. The law significantly limited federal entities’ powers to organize the system of local self-government and eventually abolished a diversity of such organizations that existed before the introduction of 131-FZ. It is possible that a formula of “general principles” will be too narrow and vague for legislative provision of unity and interaction of state authorities and local self-government. Then it will inevitably require corresponding constitutional novations.

We believe that the main and exclusive role of the federal legislator in this case is to maintain a balance between ensuring an equal right of all citizens of the Russian Federation for local self-government and a flexible variety of forms of its organization in different regions, taking into account their socio-economic, natural-geographical, national-ethnic, and other features. It also applies to an

issue of institutionalization of the local self-government system. In this case, there is a need to maintain a balance between legalizing types of municipalities that can be used, and a constitutional formula, repeated in various documents, that the structure of local self-government bodies is determined independently by population (Part 1 of Article 131 of the RF Constitution). In the regulation of the institutional structure of local self-government, it is necessary to clearly distinguish between what is regulated by federal laws and laws of the Federation’s entities, and what is, and how, “determined independently by population”.

In the practical implementation of the formula, in a statement “determined independently by population”, it is advisable to maximally expand the usage of direct forms of democracy (for example, local referendum), corresponding to self-government being the institute of civil society, and to reduce a range of situations when, according to the law, public opinion is expressed not by it but through decisions of local representative authorities [12]. It is no accident that, in Russian and foreign scientific literature, local self-government, based on the principles of civil society, is considered to be an important sign of democracy, including population’s political culture, as a manifestation of its initiative and responsibility [13; 14]. For this purpose, local communities everywhere master qualitatively new tools for communication, interaction, and decision-making on local issues, on a network basis too [15].

Apparently, it is uncertainty of aforementioned division of powers that has become one of the reasons for undulations of ideas about what local self-government structure meets Russia’s specifics and its population’s interests the most. As we have repeatedly noted, changes in the system of Russian

local self-government, which began after the adoption of 131-FZ, significantly modified the structure of the country's municipal organizations; moreover, in two different trends. In other words, the structure of Russian local self-government has undergone a certain polarization.

On the one hand, municipalities have been split up due to the mandatory introduction of settlement municipalities in all regions that were a part of local government's (municipal districts) two-level system. On the other hand, as the result of the same mandatory liquidation of intra-city municipalities (except for federal cities) in the Russian Federation, unified municipalities (urban districts) with a population of up to 1 million people, or even more, emerged. However, at the current moment, this disparity is somewhat smoothed due to the consolidation of municipalities, when settlement municipalities merge and/or form a single urban or municipal district. Also, large cities of the country, primarily "capitals" of federal entities, got back an opportunity to form intra-city municipalities. Although, currently, only three cities – Makhachkala, Samara, and Chelyabinsk – decided to decentralize urban local self-government.

Certainly, it is impossible to completely "freeze" changes in the institutional structure of Russian local self-government. However, in our opinion, the task of the new Principles is to secure a formula or a principle that would stop an endless series of reorganizations of municipalities in the form of various types of unification or separation processes, etc. [16; 17]. In general, it is necessary to distinguish between issues of reorganization of local government institutions and administrative-territorial reforms [18].

It is possible that a principle of economic feasibility of an independent municipality may

play the key role here. For example, it is possible to do in the form of the establishment of such a criterion as an ability of a municipal formation to function fully and to exercise its powers at a maximum standard of local budget expenditures for management purposes in the amount of this budget's expenditure part not exceeding 25% (at the meeting of Council for Local Self-Government Development on January 30, 2020, municipalities, where 70% (or more) of local budgets' expenditure part is spend for these purposes, were mentioned). It is, so to speak, a minimum requirement "from below". Accordingly, certain restriction "from above" may be the establishment of a maximum population size in a single municipality, which technically corresponds to a possibility of using direct forms of people's rule. This formula may be implemented by introducing a requirement on a necessity of the formation of intra-city municipalities in towns with, for example, population of 500 thousand people or more.

However, organizational changes of the local self-government's institutional structure alone cannot ensure the efficiency of its functioning, including the adequacy of its financial and economic basis. Without radical progress in this area, the result of any unifying reorganizations, at the settlement level in particular, may only lead to something that was characterized by K. Marx in "The German Ideology" as "equality of people in poverty".

The question of how to radically improve the situation in the field of local finance has been discussed for more than 20 years but without much positive progress. The problem is that the Principles and federal laws, regulating certain aspects of the functioning of local self-government institution, cannot have an impact on the situation with local budgets (previously, there was Federal Law "On the financial foundations of local self-government in the

Russian Federation”; it became invalid on January 1, 2009). Currently, this range of issues is the exclusive prerogative of the federal tax and budget legislation, which is very conservative, and it rarely responds to calls to significantly strengthen the financial basis of Russian local self-government. How can we overcome this persistent impasse?

It seems that there are no clear, economically motivated ideas about how to significantly strengthen the financial basis of Russian local self-government. At the meeting of the Council for Local Self-Government Development on January 30, 2020, nearly all participants spoke about financial problems of municipalities, and there were just a few specific proposals on this issue. In fact, it all came down to the problem of paying off municipal debts on budget loans, transferring certain types of tax revenues to the local level, and calling for more complete consideration of municipalities' needs in the system of budget-transfer relations. The exchange of opinions revealed a dilemma – how to contribute to municipalities' socio-economic development in the best way: by adding tax and other revenues to their budgets or by including municipalities in the implementation of various federal programs and projects. There is no universal solution here. This is another niche for a fairly complex and regulated balance of levers of financial and economic policy of the state in relation to local self-government.

In our opinion, the new Principles should include a clear program of government actions to develop the economic basis of Russian local self-government. First of all, the program should identify the key stages and areas to justify the optimal scheme for achieving financial and budgetary stability of Russian local government, based on the interaction of several channels. It includes the increase of the role of local taxes with a more comprehensive usage of a local tax

base; inter-budget transfers with an increased importance of their incentive (“premium”) component; participation of municipalities in the implementation of government (federal and regional) programs and projects. In the latter case, it is important to achieve a reasonable spatial equalization of funds' distribution for programs and projects and, most importantly, a full compliance of its “material content” (usually capital construction projects) with real needs of respective municipalities and its population; a balance of capital and current expenditures for these objects, since the latter is usually left to municipalities.

Conclusions

Despite the fact that changes, which occurred in Russian local self-government after the adoption of 131-FZ, are usually referred to as a municipal reform, or its next stage at least, in our opinion, the “reform” concept is not quite appropriate in this case. A reform is a system of actions “cemented” by a clear vision of what is expected to be achieved in its course through the totality of its goals and mechanisms for its achieving. At the studied stage of transformations, it was not formed. Nowadays, it is difficult to say whether a reform has been completed or not; if not, what further steps it may imply.

In this regard, we may assume that the new Principles will represent a system of strategic goal-setting with the further transformation of Russian local self-government and provide these goals with novations of an economic, legal, and institutional nature, which corresponds to the “reform” concept in every sense of the word. The theoretical and methodological justification of such goal-setting and development of ways to practically implement it currently set the most important task associated with further scientific studies in this area.

Considering a general emphasis on the transition to the practice of socio-economic strategizing, the Principles should form the government's strategy in local self-government area, which is closely interrelated with all other components of the strategic planning system and, most of all, with The Strategy of Spatial Development of the Russian Federation until 2025⁷. It is necessary to expand and specify powers of federal entities to regulate all aspects of development of Russian self-government, taking into account the specifics of different types of the country's regions [19].

The Principles should ensure an active role of local self-government institutions in improving the efficiency of Russia's overall macroeconomic, innovation, and investment policy [20], as well as in the implementation of such novations of spatial regulation policy as various "growth points", territories with special economic conditions, small and single-industry towns, etc. Much more attention should be paid to issues of inter-municipal cooperation, which gives municipalities significant benefits, including economic ones [21; 22].

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