

The priorities of the public policy in the northern regions

The article deals with the current economic trends in the Russian North. It shows the stabilizing role of economic systems of northern regions in the national economy and shortcomings of the state regulation of activities under the specific nature-climatic conditions. The necessity and directions of making changes and additions in the tax and budget legislation as well as in the normative acts on state guarantees for the persons working and living in regions of the Far North are substantiated.

Economy, analysis, region, development, investments, wages, incomes, taxes, budget system, laws.



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Back lands and less-developed areas, occupying $\frac{3}{4}$ of the Russian territory, become slowly adjusted to new economic conditions. Having comparatively high investment attractiveness due to their resource potential, they have significantly lower rates of economic modernization. These regions have lost a significant part of reproduction, especially of human capital, over the years of reforms.

More than two million people have left the northern territories of Russia over the last twenty years, i.e. nearly 20% of the total population in 1990. It may be noted that there is an opposite trend in the foreign North: the population of Alaska has increased by almost 30% over the same period, and its economic center Anchorage has caught up with Murmansk in the population size, although it had only a half of Murmansk population in 1990.

Migration outflow intensity has decreased a little bit in recent years, but it is still substantial, especially against the background of the surplus in the Russian Federation. In this case, as it is shown in *table 1*, the outflow from the European North is the double of the outflow from the Asian North. This situation can be explained by a number of reasons, the main of which include the implementation of a series of large investment projects in Siberia and the Russian Far East, as well as a strong influence of the reduction in the armed forces and the defense industry transformation in the European area.

The state policy in the sphere of wages, or rather a lack of it, is an important factor in this situation. Regional coefficients and bonuses for service in the North that compensated, on the one hand, the increased cost of life activity and, on the other hand, formed differed demand (including the possibility to move on coming of the retirement age) lost their importance in the economic sphere back in the 1990s. Since employers carry out the tariff policy by themselves, the coefficients and bonuses have turned into a “backward” quantity that inverts an average wage into a tariff. For example, the average wage of an electrician fitter is 18 thousand rubles (tariff is 14 thousand rubles)

in the chemical plant Akron (the Novgorod Oblast), and it is 20 thousand rubles (tariff is 7 thousand rubles) in the mining and chemical plant “Apatity”. The monopsony market distorting the real cost of labour resources is being formed under the conditions of a low possibility to overflow labour force in many specific mining specialties.

For example, an average wage was 1.8 times higher in 1995 in the Murmansk Oblast (coefficient is 1.4 and maximum bonus for service in the North is 1.8) than the wages in the Russian Federation. Table 1 shows that the ratio amounted to only 1.4 in 2007, and it was 1.35 in 2010. Essentially, all the bonuses for service in the North were “cleaned out”.

The development of northern territories, which is sustainable in theory, can and should be secured by at least two groups of factors. Firstly, it is a redistribution of rent payments, which would provide the people, who live and work in the extreme conditions, with a decent standard of living. Secondly, it is a diversification and innovative restructuring of the economy, which would increase the competitiveness of economic systems in the foreseeable future.

Based on the modern methodological and conceptual notions, achieved during the study of a sustainable development phenomenon, it

Table 1. Indicators of social and economic position of the northern Federal subjects of Russia [1]

| Federal subjects of Russia | Average monthly wage, thsd. rub. | | | | Migration of population, thsd. persons | | | |
|--------------------------------|----------------------------------|-------------|-------------|-------------|--|-------|-------|-------|
| | 2007 | 2008 | 2009 | 2010 | 2007 | 2008 | 2009 | 2010 |
| Russian Federation | 13.5 | 17.2 | 18.8 | 21.2 | 239.9 | 242.1 | 247.4 | 158.1 |
| Northern regions | 24.6 | 29.0 | 32.4 | 35.7 | -20.8 | -40.8 | -28.5 | -39.1 |
| Republic of Karelia | 13.3 | 16.7 | 18.3 | 19.9 | 1.2 | 0.3 | -0.6 | -1.0 |
| Republic of Komi | 7.1 | 20.6 | 23.1 | 25.7 | -5.7 | -9.1 | -7.1 | -8.6 |
| Republic of Sakha (Yakutia) | 19.5 | 23.8 | 26.6 | 28.6 | -5.5 | -7.4 | -7.0 | -7.1 |
| Arkhangelsk Oblast | 14.5 | 18.0 | 20.0 | 22.2 | -4.6 | -6.5 | -5.1 | -8.0 |
| Kamchatka Krai | 21.9 | 27.1 | 31.7 | 36.5 | -1.5 | -2.2 | -1.3 | -0.5 |
| Magadan Oblast | 23.3 | 30.0 | 33.0 | 37.6 | -2.3 | -2.4 | -1.5 | -1.9 |
| Murmansk Oblast | 18.9 | 23.2 | 26.5 | 28.9 | -4.9 | -7.4 | -4.8 | -6.7 |
| Sakhalin Oblast | 23.1 | 30.4 | 33.3 | 35.8 | -1.4 | -2.9 | -2.5 | -3.1 |
| Nenets Autonomous Okrug | 34.4 | 41.5 | 44.3 | 47.3 | -0.1 | -0.2 | 0.1 | -0.1 |
| Khanty-Mansi Autonomous Okrug | 32.3 | 37.2 | 39.1 | 41.5 | 4.9 | 1.7 | 4.8 | 3.7 |
| Chukotka Autonomous Okrug | 31.5 | 38.8 | 42.9 | 47.4 | -0.4 | -0.9 | -1.0 | -0.9 |
| Yamalo-Nenets Autonomous Okrug | 37.4 | 43.6 | 46.9 | 52.6 | -0.6 | -4.0 | -2.4 | -5.0 |

is possible to formulate three criteria for sustainable development of the economic system:

- ◆ increase in the economic efficiency of operation;
- ◆ improvement of the population's life quality;
- ◆ balance security in the natural environment that implies the maximum reduction of damage to critical natural capital, the prevention of irreversible processes, limited consumption of renewable natural resources insuring their sustainability, substitution cost estimating and calculation.

The characteristics of sustainable development must involve all three spheres (economic, social and environmental) and include the following indicators: the assessment of the territory's natural resource potential; the amount of budget revenues due to the development of natural resource potential; the number of jobs created; the level of socio-economic stability; the level of natural resource management in the region; the technogenic burden on the environment; the value of environmental damage. Financial sphere is a key sector of the market economy (or the quasi-market economy). It is characterized by extremely high mobility, instability and vulnerability to speculative influences. At the same time, the real production centers and financial centers don't often coincide geographically, particularly in the natural-resource economies.

It may be noted that the regions of the North have heterogeneous natural resources and developmental levels. But other native zones are characterized by the same features. However, the northern territories have such a characteristic feature as severe natural and climatic conditions that determine the increased cost of their development, which can be ensured only through the resource rent in the market economy, of course, except non-economic relations, for example, when the state finances the development pursuing its political or defence objectives. However, they are intertwined closely in real life.

The spatial distribution of the northern and Arctic regions of Russia in the current classification of industries is rather conventional. However, the total share of mining (raw-material) regions is 82.1% of industrial production, manufacturing regions produce 12% of industrial output, and the share of the third group of regions is 2.3% (*tab. 2*).

Despite the above-mentioned negative trends in migration and wages, the northern regions represent a fairly workable economic system. In any case, it has showed the better performances in the real sector than the national industrial production. As it can be seen from *table 3*, during the period from 2007 till 2010 most regions were demonstrating the growth rates, which exceeded the average growth in the Russian Federation.

In this case there is an important fact that the resource industries have comparatively high prices for basic resources including hydrocarbons, concentrate significant financial resources, and they can be the customers of innovative products in the domestic market acting as a kind of "locomotive" for process equipment producers.

Characteristically, industrial production index of all northern regions was better during the crisis of 2009 than the national economy index. Five regions (the Arkhangelsk Oblast, the Magadan Oblast, the Sakhalin Oblast, the Nenets Autonomous Okrug, the Chukotka Autonomous Okrug) have shown the increased indices, and the growth rate in the last three regions was rather significant. Nevertheless, it is considered in the economics that raw material markets are more "capricious", i.e. they can have swings of demand and supply and, consequently, the changes in pricing environment.

This situation can be considered relatively new even in the theoretical aspect because of the peculiarities of the latter global financial crisis (its impact on the real sector was less, but the influence over the financial sector was more

Table 2. Specialization of the northern regions in the volume of shipped goods and own services in 2008, %

| Regions | Mining operations | Manufacturing activities | Production and distribution of electric power, gas and water |
|---|-------------------|--------------------------|--|
| Total | 79.3 | 13.4 | 7.2 |
| <i>Raw-material regions</i> | | | |
| Republic of Komi | 52.8 | 36.9 | 10.1 |
| Republic of Sakha (Yakutia) | 76.2 | 8.4 | 15.3 |
| Magadan Oblast | 62.9 | 11.5 | 25.5 |
| Murmansk Oblast | 42.6 | 36.0 | 21.3 |
| Sakhalin Oblast | 88.1 | 7.6 | 4.2 |
| Nenets Autonomous Okrug | 98.3 | 0.6 | 1.0 |
| Khanty-Mansi Autonomous Okrug | 87.7 | 7.1 | 5.0 |
| Chukotka Autonomous Okrug | 84.4 | 2.0 | 13.5 |
| Yamalo-Nenets Autonomous Okrug | 88.5 | 7.2 | 4.2 |
| <i>Manufacturing regions</i> | | | |
| Arkhangelsk Oblast | 1.7 | 79.7 | 18.5 |
| Republic of Karelia | 32.0 | 55.2 | 12.7 |
| <i>Regions with a leading sector of electricity, gas and water production</i> | | | |
| Kamchatka Oblast | 16.0 | 39.4 | 44.5 |

Table 3. Industrial production indices in the Russian North regions [1]

| Federal subjects of Russia | In % to the previous year | | | | 2010 to 2006, % |
|--------------------------------|---------------------------|-------|-------|-------|-----------------|
| | 2007 | 2008 | 2009 | 2010 | |
| Russian Federation | 106.3 | 102.1 | 89.2 | 108.2 | 104.7 |
| Northern regions | | | | | |
| Republic of Karelia | 116.8 | 100.0 | 90.1 | 110.6 | 116.4 |
| Republic of Komi | 103.1 | 103.0 | 98.6 | 100.3 | 105.0 |
| Republic of Sakha (Yakutia) | 100.3 | 104.3 | 91.3 | 117.5 | 112.2 |
| Arkhangelsk Oblast | 109.0 | 108.7 | 103.8 | 102.3 | 125.8 |
| Kamchatka Krai | 102.0 | 105.0 | 92.5 | 105.0 | 104.0 |
| Magadan Oblast | 84.9 | 102.4 | 105.9 | 103.8 | 95.6 |
| Murmansk Oblast | 98.2 | 97.3 | 93.6 | 104.0 | 93.2 |
| Sakhalin Oblast | 210.0 | 87.0 | 121.9 | 101.2 | 223.7 |
| Nenets Autonomous Okrug | 103.7 | 104.1 | 130.8 | 96.2 | 135.8 |
| Khanty-Mansi Autonomous Okrug | 102.8 | 101.2 | 98.6 | 101.8 | 104.4 |
| Chukotka Autonomous Okrug | 94.0 | 107.6 | 138.1 | 93.8 | 130.9 |
| Yamalo-Nenets Autonomous Okrug | 95.2 | 98.1 | 90.8 | 107.3 | 92.0 |

significant) and the special position of the raw material sector in the economy, due to:

- ✓ strong domestic demand for energy supply (severe climate requires greater electricity consumption);
- ✓ long-term export contracts with stable prices that won't swing in the medium term;
- ✓ relatively high investment attractiveness of the northern sectors and regions.

Although, *table 4* shows that the share of northern investment isn't so high; in any case, it is not a predominant one.

Thus, their share in fixed capital investment is ranging from 15.5% to 18.9%, and the share in foreign investment hasn't exceeded 12.7%. If we take into account the increased capital intensity of the raw material branches and the fact that the northern regions produce about 17% of GDP, then the situation cannot be regarded even as satisfactory [2]. Oil and gas corporations strongly constrain the investment in prospecting works. Due to this fact most mineral reserves have been halved over the last 20 years.

It should be noted that the geography of capital investments is extremely uneven: more than a half of fixed capital investment is a share of the Khanty–Mansi Autonomous Okrug and the Yamalo–Nenets Autonomous Okrug. The Sakhalin Oblast has the same share in foreign investment. At the same time, the current hypothesis on the dominant role of the latter is groundless. In general, domestic investments in the North exceed them by 3 – 5 times; they are ten times higher in some regions (the Murmansk Oblast, the Magadan Oblast, the Yamalo–Nenets Autonomous Okrug and the Khanty–Mansi Autonomous Okrug).

As for the types of industrial activities, it's impossible to point out one type that proves itself to be identical during the crisis in all the northern regions of the Russian Federation.

Table 5 proves that the crisis of 2009 showed it self not only in manufacturing but in the certain types of industrial activity in different ways in all regions. Characteristically, even manufacturing activity was highly stable in the raw material regions of the North. The production index in this type of activity amounted to 82.9% in the North-West Federal District in total (the average index of the Russian Federation is 84%), but it was significantly higher

Table 4. Investment in the social and economic development of the Federal subjects of Russia [1]

| Federal subjects of Russia | Investment in fixed capital, bln. rub. | | | | Foreign investment, bln. dollars | | | |
|---|--|---------------|---------------|---------------|----------------------------------|---------|---------|---------|
| | 2007 | 2008 | 2009 | 2010 | 2007 | 2008 | 2009 | 2010 |
| Russian Federation | 6626.8 | 8764.9 | 7930.2 | 9151.4 | 120941 | 103769 | 81927 | 11474.6 |
| Northern regions | 1147.1 | 1501.2 | 1501.9 | 1420.2 | 8201.4 | 12705.7 | 10370.0 | 10613.6 |
| Republic of Karelia | 18.6 | 22.8 | 18.7 | 22.3 | 157.5 | 110.5 | 238.7 | 89.0 |
| Republic of Komi | 62.3 | 82.1 | 108.4 | 102.6 | 389.4 | 931.6 | 904.0 | 682.7 |
| Republic of Sakha (Yakutia) | 124.0 | 154.2 | 351.2 | 117.2 | 832.1 | 666.1 | 1117.7 | 1336.7 |
| Arkhangelsk Oblast | 121.7 | 131.5 | 66.0 | 78.6 | 990.0 | 1562.6 | 589.3 | 722.8 |
| including | | | | | | | | |
| Nenets Autonomous Okrug | 88.6 | 75.8 | 34.4 | 38.5 | 795.6 | 1360.6 | 483.3 | 537.1 |
| Kamchatka Krai | 8.5 | 15.9 | 17.6 | 29.4 | 37.9 | 200.0 | 54.4 | 33.4 |
| Magadan Oblast | 7.6 | 12.0 | 12.2 | 13.6 | 14.3 | 5.0 | 4.8 | 0.3 |
| Murmansk Oblast | 25.9 | 45.6 | 41.3 | 35.0 | 62.5 | 55.0 | 62.3 | 99.5 |
| Sakhalin Oblast | 125.9 | 150.4 | 106.7 | 130.9 | 4963.8 | 6203.9 | 5768.7 | 4984.5 |
| Khanty–Mansi Autonomous Okrug | 377.8 | 477.7 | 426.9 | 498.5 | 152.7 | 294.0 | 105.4 | 1915.1 |
| Chukotka Autonomous Okrug | 5.3 | 8.8 | 13.2 | 4.4 | 211.1 | 403.0 | 468.8 | 25.5 |
| Yamalo–Nenets Autonomous Okrug | 269.5 | 400.2 | 339.7 | 387.7 | 390.0 | 913.6 | 1055.9 | 724.1 |
| The share of northern regions in the RF investment, % | 17.3 | 17.2 | 18.9 | 15.5 | 6.8 | 12.2 | 12.7 | 9.2 |

Table 5. Industrial production indices in 2009 (in % to the previous year) [1]

| | Industrial production index in 2009 | Industrial production indexes of the types of economic activities | | |
|-------------------------------------|-------------------------------------|---|--------------------------|------------------------------|
| | | Mining operations | Manufacturing activities | Production of electric power |
| Russian Federation | 89.2 | 98.8 | 84.0 | 85.2 |
| North-West Federal District | 88.6 | 103.4 | 82.9 | 100.4 |
| Republic of Karelia | 90.1 | 88.4 | 88.2 | 96.4 |
| Republic of Komi | 98.6 | 98.7 | 98.0 | 99.1 |
| Arkhangelsk Oblast | 103.8 | 130.6 | 86.5 | 98.7 |
| Murmansk Oblast | 93.6 | 96.4 | 90.4 | 96.2 |
| Far Eastern Federal District | 103.5 | 107.9 | 99.1 | 97.3 |
| Republic of Sakha (Yakutia) | 91.3 | 91.4 | 85.0 | 91.8 |
| Magadan Oblast | 105.9 | 104.9 | 121.6 | 100.7 |
| Sakhalin Oblast | 121.9 | 120.6 | 136.8 | 104.4 |
| Chukotka Autonomous Okrug | 138.1 | 139.4 | 120.9 | 98.0 |

in all the regions of the European North, and the index was kept at the level of 2008 in the Republic of Komi.

The dynamics of extractive industries shows that there is a maximum decline in the Republic of Karelia due to a sharp recession in demand for wood products, primarily for prefabricated houses. The crisis in the steel industry began before: there was a recession in demand in the Murmansk and Vologda Oblasts as far back as in 2008. It is also possible to point out the high stability of the energy sector not only in the European North but in the Asian North.

In general, all the northern regions of the Far Eastern Federal District, with the exception of the Republic of Sakha (Yakutia), showed high performance. The notable region was the Chukotka Autonomous Okrug, which was in the favorable position due to the instability of world currencies in the conditions of rapid growth in gold prices. The Sakhalin Oblast has also high performance due to the estimated capacity of the first and the only Russian liquefied petroleum gas plant.

Unfortunately, as it has been mentioned in the article, quite strong economic performance doesn't absolutely correlate with social performance. *Table 6* shows that the growth rates in the northern regions of the Russian Federation aren't even close to the average dynamics

of the country, and the Nenets and Chukotka Autonomous Okrugs (the leaders of industrial growth – *Table 3*) had a reduction in income in the period under our review.

The reason is an “unequal” exchange both within the corporate finance and the state budget system [3]. The finance overflow tools in the corporations are calculating centers located outside the raw materials extraction centers. As for intergovernmental dealings, the current system has led to the fact that the northern Federal subjects of Russia provided the federal budget with almost 40% of taxes and charges (1457 billion rubles) in 2008, but they received less than 20% of that sum as inverse transfers.

In this case there is an alerting question, which has been widely debated lately, of the necessity to increase tax burden in order to find the funds for innovative reforms in the country. The increase in mining, oil and gas tax rates, as well as the duties on copper and nickel export will become the most obvious directions of fiscal impact [4]. It is disturbing to find the increase in gas production, declared repeatedly, up to 1 trln.m³ by 2020. It is obvious that, on the one hand, it should compensate the oil production decline and, on the other hand, it should provide innovative transformations with financial resources.

Table 6. Active cash income of the population as a percentage to the previous year [1]

| Federal subjects of Russia | Income flows | | | | |
|--------------------------------|--------------|-------|-------|-------|-----------------|
| | 2007 | 2008 | 2009 | 2010 | 2010 to 2006, % |
| Russian Federation | 112.3 | 105.0 | 100.9 | 103.8 | 123.5 |
| Northern regions | | | | | |
| Republic of Karelia | 102.9 | 99.4 | 97.5 | 102.5 | 102.2 |
| Republic of Komi | 107.4 | 99.4 | 94.3 | 101.0 | 101.7 |
| Republic of Sakha (Yakutia) | 102.7 | 105.2 | 101.4 | 102.1 | 111.8 |
| Arkhangelsk Oblast | 105.8 | 108.4 | 99.2 | 100.9 | 114.8 |
| Kamchatka Krai | 103.8 | 102.9 | 103.6 | 106.4 | 117.7 |
| Magadan Oblast | 101.4 | 98.1 | 99.1 | 101.8 | 100.4 |
| Murmansk Oblast | 109.1 | 106.6 | 98.2 | 100.9 | 115.2 |
| Sakhalin Oblast | 112.7 | 106.4 | 97.4 | 98.5 | 115.0 |
| Nenets Autonomous Okrug | 114.9 | 113.2 | 71.1 | 95.9 | 88.7 |
| Khanty–Mansi Autonomous Okrug | 113.3 | 110.8 | 90.3 | 33.0 | 105.4 |
| Chukotka Autonomous Okrug | 93.9 | 92.8 | 92.1 | 89.8 | 72.1 |
| Yamalo-Nenets Autonomous Okrug | 112.6 | 110.5 | 92.8 | 94.1 | 108.7 |

However, this task can be unsolved due to a lack of clear technical re-equipment programs, and the resource base of northern regions can be undermined in the next 15 – 20 years.

Thus, summing up the analysis, we can make the following conclusions:

- there are some negative socio-economic trends in the northern regions of Russia; the main of them are ongoing migratory outflow of population (against the background of the surplus in the Russian Federation) and long-term reduction of wages with regard to the average rate in the Russian Federation;
- nevertheless, northern Federal subjects of Russia were relatively resistant to the crisis, besides the main factors were long-term export contracts with fixed prices and stable demand in the domestic market;
- in general, the policy of the government and some corporations in relation to northern regions is discriminatory; it is proved by the extremely low growth of active incomes, negative migration balance of population and depleted resource base.

As for the near-term outlook, there is a high probability of ensuring the financial stability of the state and innovation reforms at the expense of tax increase, especially mining tax. It is necessary to increase the fiscal burden at least to have a positive impact on the innovative development of the northern territories; at the same time, technological innovations should be oriented to improve mining operations, environmental protection and the security of life activity. The mobilization mechanisms of natural resource rent and its transformation into the financial resources should be presented by special funds formed in the northern regions of Russia at the expense of the taxes left at their disposal (primarily, in order to extract minerals) that have a legislated target order of expense.

It may be noted that the systematic improvement of tax and budget legislation should be used to ensure the sustainable social and economic development of the northern regions.

Considering the question of the improvement of tax and budget legislation in terms of revenue distribution among the budgets of the Russian Federation, it is necessary to note that, in general, the current system of revenue distribution among the budgets provides the conditions for a stable and timely execution of expenditure liabilities of the Federal subjects and municipalities of Russia, but it is necessary to improve it in future.

In this connection, the President of the Russian Federation Dmitry Medvedev set a task to the Russian Government to make proposals for changing the current proportion of revenue distribution among the budgets of different levels in the President's Message to the Federal Assembly of the Russian Federation on November 30, 2011 [5].

The significant differentiation of the Federal subjects of Russia according to their socio-economic development and their own budget procurement has been already mentioned in the article. The current system of intergovernmental dealings doesn't stimulate the authorities of the Federal subjects of Russia and the local self-government to raise their tax potential and use the effective measures to increase budget revenues.

In order to improve the financial and economic independence of the Federal subjects and municipalities of Russia, it is necessary to reduce the inefficient financial support and make the clearest and the most transparent assignment procedure of intergovernmental transfers, which should be provided due to the efficient activity of the government and local authorities. At the same time, it is necessary to keep providing the regional budgets with the financial support from the federal budget in the form of subventions for leveling of regional budgetary provision.

The Committee on Budget and Taxes of the Murmansk Regional Duma believes that it's necessary to change the distribution of subventions for leveling of regional budgetary provi-

sion in order to make the stimulating conditions for the steady raising of tax potential by the Federal subjects of Russia. At the same time, the size of subventions should be maintained in the budgeting for the next fiscal year at the current year level for the Federal subjects of Russia, which haven't reduced the growth rates of the economic development.

The regional budgets in Russia, which have a lack of own revenues, are overloaded with their expenditure liabilities. Therefore, in order to make the additional conditions for the increase in economic and financial independence of the Federal subjects and municipalities of Russia, it is necessary to improve the demarcation between the state and local authorities approved by the federal law, as well as to distribute the amount of tax revenues among the budgets of the Russian Federation, based on the expenditure liabilities of the Russian Federation and the Federal subjects and municipalities of Russia.

Nowadays, some responsibilities delegated to the authorities of the Federal subjects of Russia are financed at the expense of subventions from the federal budget, and it should be noted that the size of these subventions isn't equivalent to the Federal subjects' expenditures on the implementation of the delegated responsibilities.

One more problem of the northern regions in Russia is a lack of standards aimed at the assessment of financial expenses oriented to the implementation of their expenditure liabilities. This problem solving is the basis of intergovernmental dealings and tax revenues distribution among the budgets of the Russian Federation.

It's impossible to deny the fact that there is a significant dependence of the local budgets on the budgets of the Federal subjects of Russia, since the municipalities provide only a small part of total budget revenues with their tax and nontax revenues. One of the main problems of local budgeting is a lack of it's own secure and sufficient revenue sources at the local governments, as well as the imbalance of local budgets.

And it should be noted here that the abolition of statutory regional and local tax concessions could be an important reserve for increasing the revenues of regional and local budgets. For example: the amount of tax concessions established by legislation of the Russian Federation on the Regional and Local Taxes accounted for 181.9 billion rubles in 2009 on conditions that the amount does not include the statutory with drawal from the taxation object.

The problem analysis of the revenue distribution among the budgets of the Federal budget system in Russia, including the budgets of the northern regions, allows us to offer the following arrangements:

1) it's necessary to intensify efforts to improve intergovernmental dealings in order to create a mechanism that can stimulate the Federal subjects of Russia to increase their own revenue base and raise their interest in the economic development;

2) it's important to provide the Federal subjects and municipalities of Russia, following the responsible fiscal policy, with the incentives, as well as it's necessary to administer the regions and municipalities with poor financial management;

3) they should continue to improve the distributing system of the expenditure liabilities of the Russian Federation, the Federal subjects and municipalities of Russia, based on their financial support analysis;

4) it's necessary to change the method aiming at the distribution of subventions for leveling of the Federal subjects' budgetary provision taking into account during the calculation of subventions:

– the size of subventions should be maintained in the budgeting for the next fiscal year at the current year level for the Federal subjects of Russia, which haven't reduced the growth rates of tax and nontax revenues in comparison with the previous fiscal year;

– the amount of lost budget revenue as a result of statutory tax incentives is sent to the budgets of the Federal subjects of Russia;

5) it's important to develop a single mechanism to assess the value of public (municipal) services and estimate the expenditure liabilities of the Russian Federation, the Federal subjects and municipalities of Russia with the subsequent expansion of regional and municipal budget revenue sources;

6) the question of the inclusion of individual income tax into municipal budgets according to the permanent residence of their taxpayer should be considered;

7) it's necessary to develop and submit for consideration to the State Duma of the Russian Federation the Draft Federal Law On Introducing Amendments to the Budget Code of the Russian Federation on order to provide the regions of the Russian Federation with the responsibilities to set differentiated standards (based on the objective common criteria) for the certain tax and fees allocations to the municipal budgets, which should be included into the regional budgets of the Russian Federation, as well as it's important to provide the municipalities with the same responsibilities to set differentiated standards for the allocations to the settlements' budgets and the redistribution of the tax and nontax revenues in favor of regional and municipal budgets of the Russian Federation.

The legislative (representative) and local authorities of the northern regions in the Russian Federation in common with the Federal Tax Service, the Federal Service for State Registration, Cadaster and Cartography and other federal executive agencies should develop a package of measures in order to improve regional and local tax administration, to control the observance of the Federal Taxes and Fees legislation, the correctness of tax calculation and the full amount of the regional and municipal budget tax revenues.

In conclusion we are going to consider some specific questions of attracting and retaining human resources in the northern regions.

State guarantees and compensation payments to the employees working in the Far North regions and equivalent areas (hereinafter – the North) were mostly being decreased during the period from 2001 until the present.

At the same time, some of them were:

- ◆ placed in the dependence on the funding source of a company and its leadership;

- ◆ excluded from the legislation or limited through the budget legislation;

- ◆ kept under specific additional conditions of local regulation, that also determined their dependence on the company's leadership;

The documents of the Government of the Murmansk Oblast prove that most employers try to minimize all the compensation payments and decrease guarantees to their employees worsening their rights in comparison with the previous federal regulations. In order to stabilize the welfare standards of the employees in the northern companies regardless of their funding sources and their business forms, it's reasonable to amend the following current normative and legal acts [6, 7, 8]:

- ✓ article 313 “Guarantees and compensation payments to the employees working in the Far North regions and equivalent areas” of the Labour Code of the Russian Federation as of 30.12.2001 No. 197-FL (as amended on 22.11.2011, as amended on 12.15.2011);

- ✓ the Federal Law “On state guarantees and compensation payments to the employees working in the Far North regions and equivalent areas” as of 19.02.1993 No. 4520-1 (as amended on 24.07.2009);

- ✓ an order of the Ministry of Labor of the RSFSR “On approval of Regulations on the procedure for the provision of social guarantees and compensations to the persons working in the Far North and equivalent are as in accordance with the normative and legal acts currently in force” as of 22.11.1990 No. 2 (as amended on 07.11.1991, as amended on 10.06.2009).

In consideration of the need to stabilize the socio-economic situation in the northern regions, as well as the strategic challenges of attracting and retaining labour resources in order to develop the Arctic shelf in future, it's reasonable to restore the standards that provide:

- young people (persons under the age of 30) in all companies with the full rated increase in their wages since the first day of working in the Far North and equivalent areas, if they have been living in these regions for five years and more;
- students of higher and secondary vocational institutions in the northern regions with rated increase in their living allowances;
- all employees regardless of funding source with the reimbursement of their and their families' expenses for traveling to and from place of leave as well as carriage of their baggage, which sizes, terms and conditions are not less than the refund charges for the employees financed from the federal budget;
- all employees regardless of funding source with the reimbursement of their and their families' expenses for moving to other regions, which sizes, terms and conditions are not less than the refund charges for the employees financed from the federal budget;
- temporary disability benefits and maternity allowances in the amount of full salary without the maximum size limitation.

It's necessary to establish federal guarantees and compensations for the people working in the companies that don't belong to the public sector; their size shouldn't be less than the guarantees and compensations for the employees of the organizations funded from the federal budget. The responsibility of all the

employers to provide guarantees and compensations should be embodied in the laws. It's important to develop a legal mechanism for the reimbursement of their expenses. It is also reasonable to clarify the notion of minimum wage rate, excluding the compensations and incentive payments (including regional coefficient and rated increases), and establish tariff rates, salaries, base salaries which couldn't be lower than the minimum wage rate.

Active and coordinated activity of the state, public institutions, business organizations in the field of socio-economic development of northern regions is a necessary prerequisite to eliminate negative impacts and ensure the sustainable development. Here of paramount importance are the following measures:

- the priorities of public policy that involve the problems of the socio-economic development of the Russian North in order to create favorable living conditions for the population;
- the renewal of a system of northern guarantees and compensation as the main mechanism for the socio-economic development of northern regions, the development of this system due to the new market conditions and the protection of social rights of the people living and working in the North;
- ensuring the effectiveness of all the elements of the labour and employment sphere in the North: migration processes optimization, decline in the unemployment rate and increase in the employment rate, improvement in working and resting conditions, etc.;
- improvement of the state regulation in the spheres that influence the employment development in the northern regions: providing housing, pension and other rights of the citizens living in the North.

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