

Budgets of Regional Centers in the North-West: Tools for Modernization or Survival?*



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Abstract. The paper opens a series of studies on the development of regional administrative centers. We put forward a hypothesis that the budgetary policy regarding regional centers does not correspond to their current budget condition and is not focused on such development that would turn cities into the pillars of the balanced and harmonious spatial development of Russia. In this regard, the goal of the study is to conduct a comprehensive analysis of the budget system and the conditions of its functioning in regional administrative centers. We use economic and mathematical methods and reveal that the changes in geopolitical and geo-economic conditions in Russia had a negative impact on the budget systems of regional centers; it was manifested in the predominance of financial assistance in the structure of total revenues, in the stable dynamics of imbalance and in a decrease in the level of budget security of the population. We use official data of Rosstat and the Federal Treasury to find out key trends in the development of regional centers of the North-West of Russia since 2011. We conclude that the budgets of regional centers are trying to survive and are not ready to implement social transformation and promote economic growth. Based on this, we define major development directions for regional centers. The materials of the paper can be of use in the educational sphere, in the study of financial and economic disciplines; they

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can also be used by scientists as a basis for further research and by management bodies of various levels to substantiate management decisions. Further research will be devoted to the study of the effectiveness of management of the budget of the regional center, the level of debt burden and the state of intergovernmental fiscal relations.

Key words: territorial systems, economic growth, sustainable development, municipal entities, city, regional center, differentiation, budget security, periphery.

Introduction to the topic

In the context of globalization, political sanctions, and the transformation of the socio-economic system of Russia, it becomes extremely urgent to promote sustainable national and regional development and to minimize intraregional barriers to growth. One of such barriers is the aggravation of the issues of dynamic development of cities; they are considered by foreign science and practice as the drivers of national growth and the elements in the structuring of the territory, society and economy [1-5]. The need to create such a driving force for the country was mentioned by Russian President Vladimir Putin in his Address to the Federal Assembly back in 2018¹.

However, unlike foreign cities, the development of which since the middle ages was mainly influenced by market forces and served to meet the growing needs of society and production, Russian cities had a different growth trajectory. In a command and administrative economy, their formation and development took place within the framework of the general map of population distribution. It often imposed restrictions on new industrial construction in some cities, which caused inertia in industrial development and reduced the possibility of its progressive transformation. Consequently, since the mid-1980s, the Soviet city, as a rule, was not an independent participant in the development

of the state, and functioned only as an element of its administrative-territorial organization. This meant that the emergence of other cities as points of growth, except Moscow, was impossible.

After the collapse of the Soviet Union, Russia's position in the geopolitical and geo-economic system changed, and it required a revision of its spatial development, the Strategy² for which began to be developed only in June 2014. However, from the point of view of administrative and territorial division, the Strategy approved in 2019 dealt largely with urban agglomerations with a population of more than 500 thousand people, and rural settlements. At the same time, this approach reduces the scope of state regulation because it does not consider a whole range of types of cities.

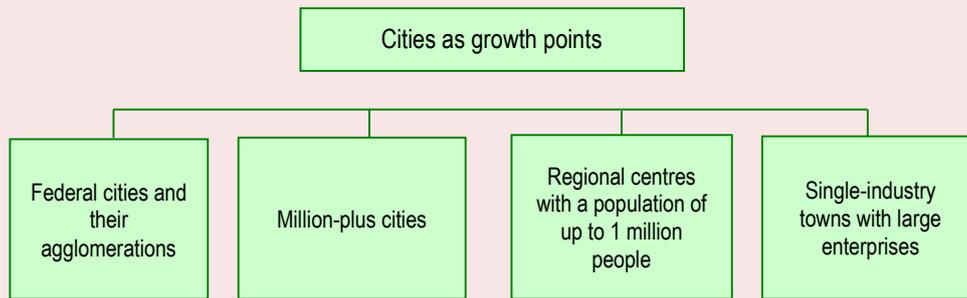
With regard to urban typology, we think that the approach of N.V. Zubarevich to the study of cities as points of growth is the most complete and justified.

According to this approach, there are four types of cities in Russia, which are formed and continue to develop under the influence of institutional, economic, social and other factors (*Figure 1*). Thus, against the background of federal capitals and million-plus cities, the administrative capitals of regions with a population of 200 thousand people are

¹ Presidential Address to the Federal Assembly. Available at: <http://kremlin.ru/events/president/news/56957>

² On approving the strategy for spatial development of the Russian Federation for the period till 2025: Resolution of the Government of the Russian Federation of February 13, 2009 No. 207-r.

Figure 1. Types of cities – points of growth in modern Russia



Source: compiled with the use of [6].

developing to a greater extent due to the influence of the status factor, as well as the concentration of economic and human resources in them. Historically, since 1991, regional capitals found themselves in the most advantageous position due to the ongoing process of decentralization and distribution of economic and political resources in favor of constituent entities of the Russian Federation. The bulk of highly paid jobs was concentrated in regional capitals; as a result, they received a noticeable increase in wages relative to the regional average. However, in the mid-1990s, when the political vector changed to centralization and the budgetary resources were being increasingly transferred to higher levels of government (it is still going on today), the so-called agglomeration effect came to the fore. It should be noted that the effect of scale on territorial development is studied in the works of both domestic [7–9] and foreign scientists [10–13]. For example, M. Fujita, P. Krugman and F.J. Venables [12] have repeatedly argued that the role of development and modernization centers belongs to cities to varying degrees and with different quality of growth.

After the municipal and inter-budget reforms carried out in Russia, not all of its cities

were ready to compete for human and economic resources, and therefore they could not increase neither human capital, nor financial and economic potential [14]. According to the study of Rosstat database on municipalities for 2017, we can conclude that the provision of budget revenues per capita is below average in 53 out of 82 administrative centers of Russia. Moreover, the Russian model of intergovernmental fiscal relations is built in such a way that the supposed objective advantages of development of regional centers have become a reason not only for narrowing the instruments for obtaining financial support for them, but also to cut some of the revenue sources in order to equalize the budgetary provision of the peripheral territories of the region.

Therefore, in recent years, the wider scientific community turns its attention to studying the drivers of development of the so-called cities with “administrative resources” that are not federal cities and that have a population of up to one million people. At the same time, an important methodological and practical problem lies in the need to improve the effectiveness of management and the use of cities’ potential in order to strengthen their budget security.

In view of the above, our study will be based on the *hypothesis* that the budget policy pursued in relation to regional centers does not correspond to their budget condition and is not focused on such development that that would turn cities into the pillars of the balanced and harmonious spatial development of Russia. In this regard, the *goal* of the study is to conduct a comprehensive analysis of the budget system and the conditions of its functioning in regional administrative centers.

Analysis of the state of budget systems in regional centers in the North-West of Russia

Among the variety of Russian cities we have chosen regional centers of the Northwestern Federal District (NWFD) of the Russian Federation as the *object* of our study. Our choice is reasonable, because this macroregion occupies about 10% of the country's territory (it ranks 4th among federal districts), contains 10% of the population and produces 10% of the total GRP. Mainly, it is an industrially oriented territory with a developed infrastructure and a significant mineral resource base; all this determines its important competitive advantage. The greatest contribution to the formation of the GRP of the NWFD is made by the city of Saint Petersburg (42.3%), followed by the Leningrad, Vologda, Arkhangelsk oblasts and the Republic of Komi; they provide up to 40% of the total gross product of the NWFD.

It should be noted that the system of municipal entities of the Northwestern Federal District includes 40 urban districts, 159 municipal districts and 1,497 urban and rural settlements. Eleven regional centers accumulate 36% of the population, 30% of industrial production, 33% of retail turnover, 27% of profit of organizations, 23% of capital investments, and 30% of people employed in the economy. Let us clarify that, in order to achieve objective comparability of the data,

we have chosen the administrative centers of NWFD regions (excluding the city of federal importance of Saint Petersburg, the Leningrad Oblast, whose authorities are located in Saint Petersburg, and Nenets Autonomous Okrug) as the object of our research.

The influence of the status of the regional center is especially noticeable in the clearly outstripping growth of incomes of its population in comparison with the regional average. *Table 1* shows that during the period under consideration the average wages of residents of regional centers of the Northwestern Federal District exceeded the regional average. As of the end of 2018, the largest gap – by almost a third – was observed in Kaliningrad, while wages in Syktyvkar were lower than the regional average by 8.1%. This state of affairs in the regional center of the Republic of Komi is explained by the fact that it is not the main donor of the Republic's budget, since more than 70% of the region's oil is produced in the towns of Usinsk (where average wages exceed 70 thousand rubles per capita) and Vorkuta (over 60 thousand rubles per capita).

Let us now analyze the state of budget systems; in this regard we should note that the revenues of administrative centers of the Northwestern Federal District have increased by an average of 5% since 2011, i.e. at a lower rate than in the urban districts (UD) of Russia (6.7%) in general. In 2012 and 2015, the dynamics were negative (*Tab. 2*).

In general, the dynamics of total revenues of the budget system of Russian cities is determined by tax revenues. In the analyzed period, the nominal growth rate of tax revenues of regional centers in the Northwestern Federal District was low despite its volatile dynamics. At the same time, real growth occurred only in Murmansk: +35% in 2011–2018, due to the growth of taxes on gross income and property (*Fig. 2*).

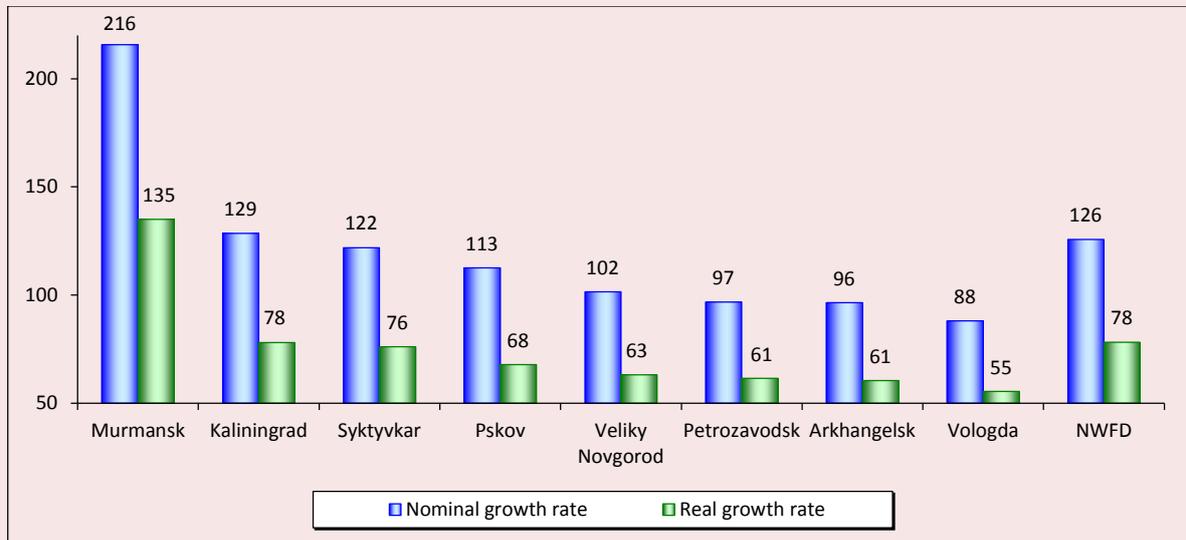
Table 1. Comparing average wages in the regional center and average wages in the region

Russia's constituent entity / city or town	2011	2012	2013	2014	2015	2016	2017	2018	Average for 2011–2018	2018 to 2011, %
Kaliningrad Oblast	19911	21526	25104	26639	28262	29451	30580	32634	26763	163.9
<i>Kaliningrad</i>	35241	38166	40129	41553	38137	36016	38686	42450	38797	120.5
Ratio to the regional average, %	177.0	177.3	159.9	156.0	134.9	122.3	126.5	130.1		
Novgorod Oblast	18637	21297	23494	25225	26346	27914	29311	31275	25437	167.8
<i>Veliky Novgorod</i>	31937	36280	38356	38512	36426	34698	36640	39619	36558	124.1
Ratio to the regional average, %	171.4	170.4	163.3	152.7	138.3	124.3	125.0	126.7		
Pskov Oblast	15721	18203	19743	21004	21553	22399	23659	26868	21144	170.9
<i>Pskov</i>	29333	33007	34009	34360	31322	28850	30539	32869	31786	112.1
Ratio to the regional average, %	186.6	181.3	172.3	163.6	145.3	128.8	129.1	122.3		
Murmansk Oblast	32342	36188	40225	43378	45989	48986	51932	57582	44578	178.0
<i>Murmansk</i>	52445	57058	60563	61993	60955	58174	61262	68497	60118	130.6
Ratio to the regional average, %	162.2	157.7	150.6	142.9	132.5	118.8	118.0	119.0		
Republic of Karelia	22174	24796	27503	29371	30704	33061	34434	38977	30128	175.8
<i>Petrozavodsk</i>	36470	40483	43024	43206	40729	38656	41234	46232	41254	126.8
Ratio to the regional average, %	164.5	163.3	156.4	147.1	132.7	116.9	119.7	118.6		
Vologda Oblast	20250	22649	25127	26749	27445	29303	31651	35545	27340	175.5
<i>Vologda</i>	23395	26330	29095	30812	30843	33722	35997	39705	31237	169.7
Ratio to the regional average, %	165.1	159.5	151.9	142.8	128.9	115.7	113.7	111.7		
Arkhangelsk Oblast	24611	28531	32465	35572	38300	40790	42950	48100	36415	195.4
<i>Arkhangelsk</i>	40090	43770	47446	48258	45571	43194	45098	50420	45481	125.8
Ratio to the regional average, %	162.9	153.4	146.1	135.7	119.0	105.9	105.0	104.8		
Republic of Komi	28897	33971	37717	40222	41365	43662	45689	50186	40214	173.7
<i>Sykt'yvkar</i>	40695	43596	47015	48020	45042	42146	44181	46115	44601	113.3
Ratio to the regional average, %	140.8	128.3	124.7	119.4	108.9	96.5	96.7	91.9		
Source: own calculations with the use of Rosstat data.										

Table 2. Dynamics of aggregate revenues of the budgets of regional centers (RC) of the NWFD

Indicators	2011	2012	2013	2014	2015	2016	2017	2018	2018 to 2011, %
<i>Murmansk</i>									
Million rubles	8551	8569	9261	9723	11076	11455	11970	14262	166.8
Growth rate, %	125.0	100.2	108.1	105.0	113.9	103.4	104.5	119.1	109.9 on average
<i>Syktvkar</i>									
Million rubles	4658	5702	5658	6568	6278	7175	6873	7678	164.8
Growth rate, %	115.1	122.4	99.2	115.3	96.2	114.4	95.8	111.7	108.8 on average
<i>Vologda</i>									
Million rubles	5818	5606	6639	7361	7025	6102	6495	7902	135.8
Growth rate, %	113.2	96.4	118.4	110.9	95.4	86.9	106.4	121.7	106.2 on average
<i>Pskov</i>									
Million rubles	3638	3004	3191	4113	3461	4368	3839	4666	128.3
Growth rate, %	133.1	82.7	106.2	128.9	84.1	126.2	87.9	121.5	108.8 on average
<i>Arkhangelsk</i>									
Million rubles	7376	7053	7986	7433	7813	7939	8286	9166	124.3
Growth rate, %	103.1	95.6	113.2	93.1	105.1	101.6	104.4	110.6	103.3 on average
<i>Veliky Novgorod</i>									
Million rubles	4643	4327	4551	4697	4473	5207	5691	5718	123.2
Growth rate, %	108.8	93.2	105.2	103.2	95.2	116.4	109.3	100.5	104.0 on average
<i>Kaliningrad</i>									
Million rubles	11521	12299	13074	14789	12632	11054	12831	13925	120.9
Growth rate, %	99.5	106.8	106.3	113.1	85.4	87.5	116.1	108.5	102.9 on average
<i>Petrozavodsk</i>									
Million rubles	6376	5107	4961	4913	4491	5102	5129	5717	89.7
Growth rate, %	113.1	80.1	97.1	99.0	91.4	113.6	100.5	111.5	100.8 on average
<i>Total for RC of NWFD</i>									
Million rubles	52581	51668	55321	59599	57250	58402	61113	69033	131.3
Growth rate, %	110.9	98.3	107.1	107.6	96.1	102.0	104.6	113.0	105.0 on average
<i>Total for UD of Russia</i>									
Million rubles	1453.3	1510.6	1619.5	1689.9	1684.2	1743.8	1851.8	2135.2	146.9
Growth rate, %	113.3	103.9	107.2	104.3	99.7	103.5	106.2	115.3	106.7 on average
Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.									

Figure 2. Growth rate of tax revenues of the budgets of regional centers in the Northwestern Federal District in 2011–2018 (in conditions comparable to 2018), %



Source: own calculations according to the reports on the execution of budgets of urban districts, reports of the Federal Treasury of Russia, Rosstat, and the Federal Tax Service of Russia.

As the study shows, due to the uneven development of the production capacity of administrative centers, even within the same federal district, there is a twofold difference in the level of per capita tax revenues between the highest-income city (Murmansk) and the lowest-income city (Petrozavodsk) (Tab. 3).

In the period under consideration, there was an increase in the extent of negative structural transformation of budget revenues of urban districts; it was due to the fact that gratuitous receipts exceeded tax revenues (Fig. 3).

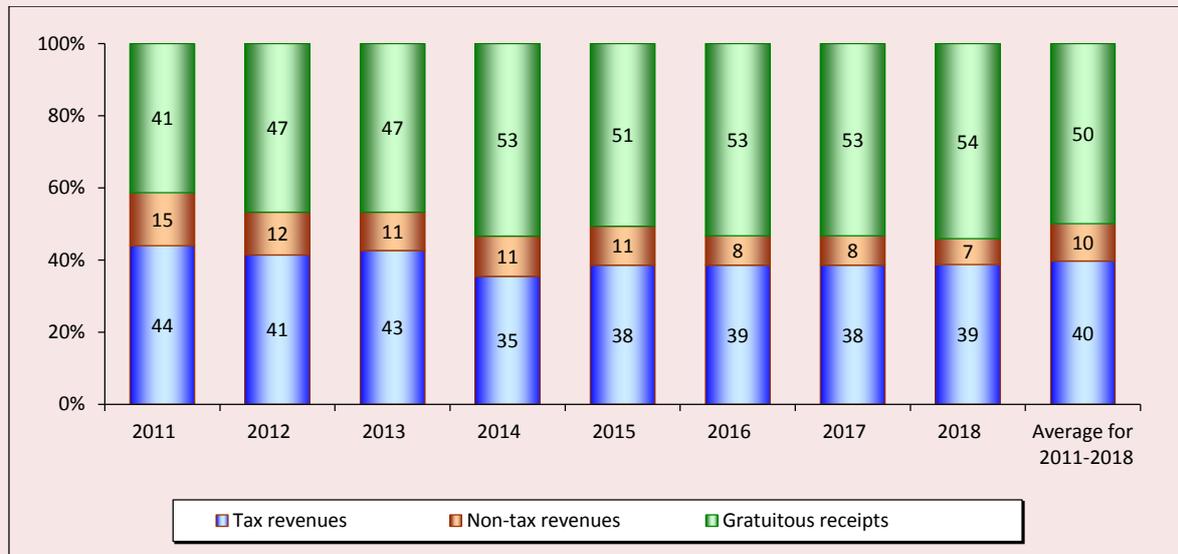
The volatile dynamics of tax revenues were mainly due to unstable revenues generated

Table 3. The share of regional centers in the formation of tax revenues of the consolidated budgets of the NWFD regions

Subject	Total tax revenues received in 2011–2018, million RUB	% of tax revenues of the consolidated budgets of NWFD regions	Tax revenues per capita in 2018, thousand RUB
Murmansk	43126	10.2	27.8
Kaliningrad	47550	16.3	14.1
Arkhangelsk	28249	6.4	10.9
Syktyvkar	18398	3.9	9.9
Vologda	18225	4.7	8.2
Veliky Novgorod	11606	6.4	7.4
Pskov	11141	8.3	7.1
Petrozavodsk	14281	7.9	6.9
Regional centers of the NWFD	192576	7.6	12.0

Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat, and the Federal Tax Service of Russia.

Figure 3. Structure of revenues of the budgets of NWFD regional centers, %



Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat, and the Federal Tax Service of Russia.

from individual income tax, the main component of the revenues of the budgets of urban districts. Murmansk, Kaliningrad, Pskov and Arkhangelsk showed an increase in the collection of this tax. The strongest drop in the tax was observed in Vologda and Veliky Novgorod – by 21 and 27%, respectively (*Tab. 4*).

The decisive factor in the reduction of individual income tax receipts consisted in the adjustment of budget legislation³, which was affected by the mechanism of redistribution of taxes according to the levels of the budget system. Thus, standard deductions of this tax to the budgets of urban districts were reduced from 30% in 2011 to 20% in 2012–2013 and to 15% in the period from 2014. However, we

³ On amending certain legal acts of the Russian Federation: Federal Law of November 30, 2011 No. 361-FZ (as amended on December 29, 2017); On amending the Budget Code of the Russian Federation and separate legal acts of the Russian Federation: Federal Law of July 23, 2013 No. 252-FZ.

should point out that the minimum standard of 15% for individual income tax payments to the budgets of cities was established not in all the Northwestern regions, so in the territorial context there was a significant gap in the dynamics of tax revenues.

In the context of the policy of inter-governmental fiscal alignment, the budget systems of the vast majority of urban districts within the NWFD were characterized by a decrease in their own tax and non-tax revenues, although on average the coefficient of provision with own revenues exceeded the average coefficient for urban districts of the country (*Tab. 5*). For example, in the capital cities of the Novgorod and Vologda oblasts, which had the best indicators of provision with own revenues in 2011, there was a decrease from 91 to 64% and from 80 to 65%, respectively.

Own revenues of the city budgets of the NWFD decreased in real terms by 30% against a nominal 10% growth. In Veliky Novgorod,

Table 4. Receipts of individual income tax in the budgets of the regional centers of the Northwestern Federal District

Indicators	2011	2012	2013	2014	2015	2016	2017	2018	2018 to 2011
<i>Murmansk</i>									
Million RUB	3102	3273	3597	2886	3116	3378	3649	4128	133%
% of taxes	82	83	72	64	60	55	53	53	-29.3 p.p.
<i>Kaliningrad</i>									
Million RUB	2793	3165	2906	2931	2916	3120	3276	3688	132%
% of taxes	68	55	46	51	49	53	53	52	-16.2 p.p.
<i>Pskov</i>									
Million RUB	882	914	898	900	878	920	997	1065	121%
% of taxes	67	68	66	65	64	66	66	64	-2.7 p.p.
<i>Arkhangelsk</i>									
Million RUB	2690	2609	2826	2618	2654	2264	2861	3068	114%
% of taxes	67	80	81	79	76	73	78	79	12.2 p.p.
<i>Syktvykar</i>									
Million RUB	1354	1555	1744	1252	1263	1135	1193	1356	100%
% of taxes	64	65	68	60	58	54	55	55	-9.7 p.p.
<i>Petrozavodsk</i>									
Million RUB	1568	1311	1466	1121	1093	1144	1169	1354	86%
% of taxes	79	77	76	70	67	65	63	63	-15.9 p.p.
<i>Vologda</i>									
Million RUB	1850	997	1092	873	988	900	982	1468	79%
% of taxes	62	45	46	46	51	44	46	56	-6.2 p.p.
<i>Veliky Novgorod</i>									
Million RUB	1069	807	900	699	674	711	729	785	73%
% of taxes	65	57	61	51	49	53	52	52	-13.2 p.p.
<i>Total for regional centers of the NWFD</i>									
Million RUB	15309	14630	15429	13281	13852	13572	14856	16911	111%
% of taxes	70	67	63	61	59	57	58	59	-10.5 p.p.
<i>Total for urban districts of Russia</i>									
Million RUB	361947	376909	420282	337001	338602	353027	374821	440319	122%
% of taxes	64	67	68	61	61	60	59	58	-5.9 p.p.

Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat, and the Federal Tax Service of Russia.

Vologda, and Petrozavodsk, the reduction in the revenues adjusted for inflation was 43–57%. The growth of real revenues was observed only in Murmansk (Fig. 4).

The reduction in the budget revenues, the growing imbalance between the receipt and expenditure of budget funds in the period under consideration led to a significant deficit in the budget systems of urban districts. In some years, the amount of the deficit exceeded the limits set by the Budget Code (10% in the volume of own revenues). At the end of 2018, the budgets

of Petrozavodsk and Vologda experienced the greatest deficit; Murmansk and Veliky Novgorod managed to achieve balance (Tab. 6).

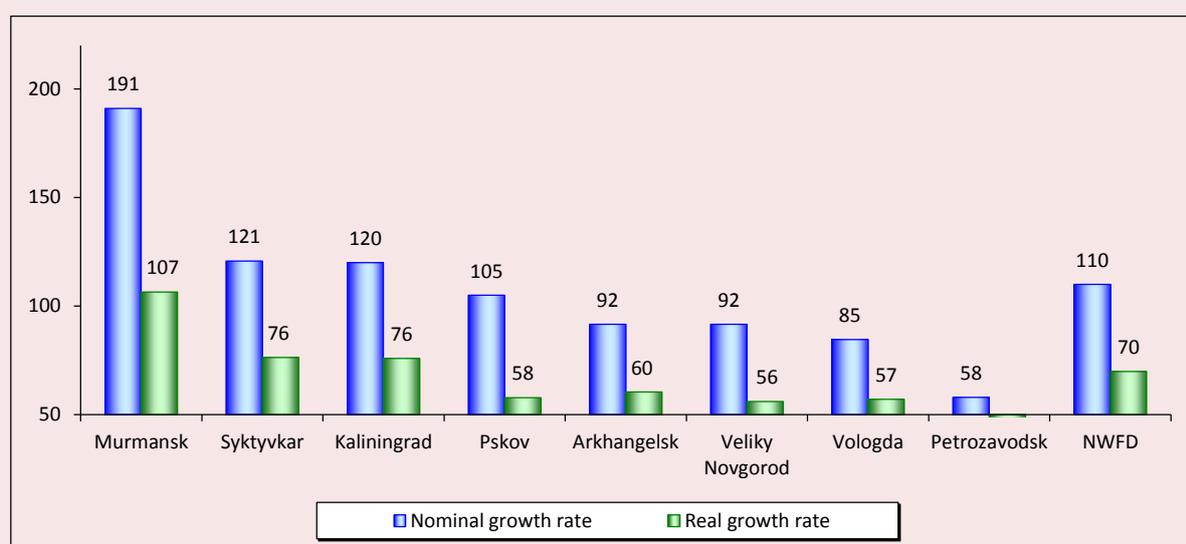
The works [14–19] confirm that the opportunities for modernization of the economy and the social sphere are growing with the strengthening of the budget security of the territories. However, the analysis has revealed an extremely unstable level of security of urban budgets since 2012; due to this fact it is not possible to promote the economic growth of cities (Fig. 5).

Table 5. The coefficient of provision of the budgets of regional centers of the NWFD with own revenues, %*

Urban district	2011	2012	2013	2014	2015	2016	2017	2018	Absolute deviation, 2018 to 2011
Murmansk	0.73	0.80	0.83	0.82	0.85	0.92	0.93	0.93	0.20
Kaliningrad	0.57	0.66	0.65	0.64	0.60	0.82	0.78	0.80	0.23
Syktvykar	0.66	0.73	0.64	0.65	0.76	0.58	0.73	0.78	0.12
Arkhangelsk	0.78	0.78	0.69	0.86	0.85	0.71	0.83	0.77	0.00
Petrozavodsk	0.78	0.71	0.71	0.78	0.85	0.74	0.85	0.77	-0.01
Vologda	0.80	0.64	0.66	0.72	0.76	0.70	0.63	0.65	-0.15
Veliky Novgorod	0.91	0.65	0.65	0.78	0.80	0.57	0.53	0.64	-0.27
Pskov	0.50	0.63	0.61	0.53	0.67	0.50	0.62	0.53	0.03
For regional centers of the NWFD	0.71	0.70	0.68	0.72	0.77	0.69	0.74	0.73	0.02
For urban districts of Russia	0.62	0.63	0.63	0.63	0.63	0.64	0.63	0.63	0.01

* The coefficient is calculated as the ratio of tax and non-tax revenues to expenses excluding subventions from the federal budget.
Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

Figure 4. Growth rates of own revenues of the budgets of regional centers of the Northwestern Federal District, %



Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

With regard to income security of residents of administrative centers of the North-West, we can point out that the greatest rise in incomes in the period under consideration was observed in Murmansk (incomes grew from 28 to 48.7 thousand rubles per person), Syktvykar (from 18.3 to 29.4 thousand rubles per person) and Kaliningrad (from 26.6 to 29.3 thousand rubles per person). Residents' incomes were

low in Pskov (incomes grew from 17.8 to 22.2 thousand rubles per person), Petrozavodsk (incomes decreased from 24.0 to 18.4 thousand rubles per person) and Vologda (incomes grew from 18.6 to 24.8 thousand rubles per person) (Tab. 7).

As for expenditures, the nominal expenditures of the budgets of urban districts increased by 25%; however, according to our

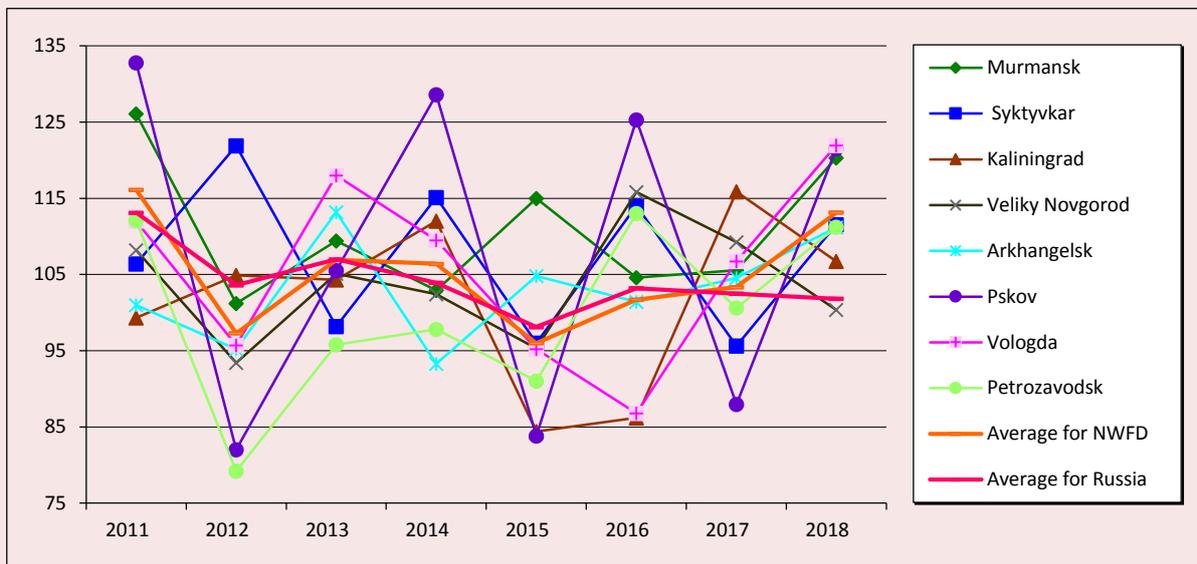
Table 6. The ratio of the deficit to the volume of own revenues of the budgets of regional centers of the NWFD, %*

Urban district	2011	2012	2013	2014	2015	2016	2017	2018
Petrozavodsk	-3.7	0.1	-20.9	-12.8	-12.3	-9.4	-2.1	-3.8
Vologda	-8.2	-16.7	-16.3	-8.0	-11.1	-8.2	-9.3	-2.4
Syktvykar	-5.1	14.1	-12.1	-11.0	-9.1	-16.9	-3.1	-0.7
Arkhangelsk	11.2	6.9	5.8	5.3	2.2	7.0	0.0	-0.3
Veliky Novgorod	12.7	-19.2	-13.1	-9.4	-11.0	-8.7	-1.4	0.4
Murmansk	1.9	-5.1	-5.6	-9.6	-3.7	0.3	-0.4	0.7
Pskov	-11.3	-8.2	-8.8	-2.7	-0.05	-0.3	-4.3	1.2
Kaliningrad	-26.5	-7.3	-4.3	9.0	-31.7	-6.3	0.7	4.2

* Values with the sign «-» mean deficit, with the sign «+» – surplus.

Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

Figure 5. Dynamics of revenue-based budget security of regional centers of the NWFD per capita, in % to the previous year



Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

calculations, the inflationary impairment of budget expenditures for the analyzed period amounted to 23% (Fig. 6).

The provision of the population of the capital cities of NWFD regions with budget expenditures per capita exceeded the average level for the cities of the country by 1.7 times, but this was achieved due to high indicators in Murmansk, Syktvykar and Kaliningrad (Tab. 8).

In other cities, per capita provision with expenditures was generally lower than the average for urban districts; that is, we can in some way talk about the shortage of public services provided to the population of these cities.

Summary

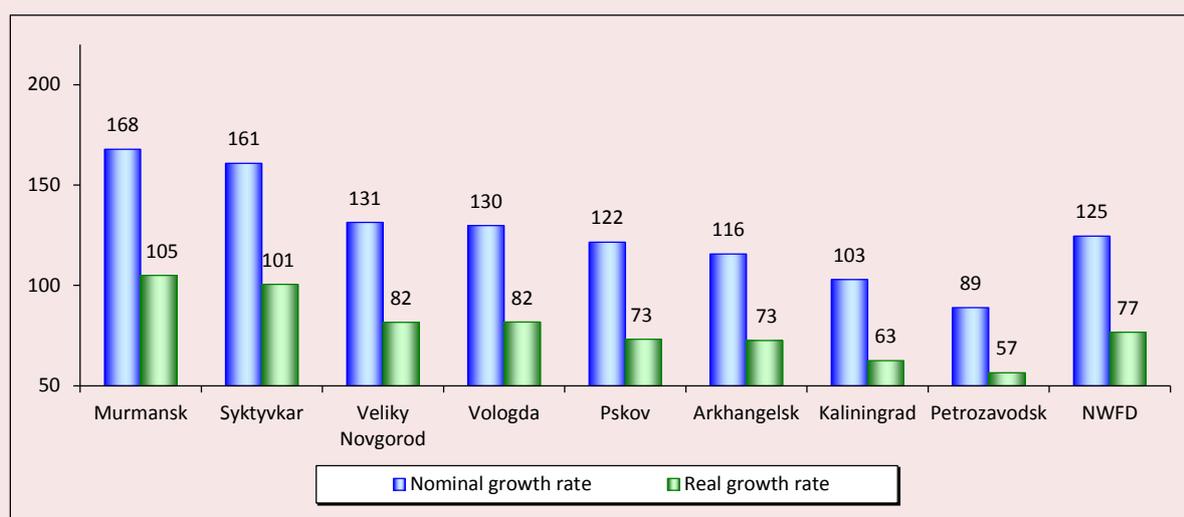
In conclusion, let us list the results of our study of the budget systems of regional centers of the NWFD.

Table 7. Per capita budget revenues in the regional centers of the NWFD

Urban district	2011	2012	2013	2014	2015	2016	2017	2018	2018 to 2011	Average for 2011–2018
Murmansk	28.0	28.3	31.0	31.9	36.7	38.4	40.5	48.7	174.1	35.4
Syktvykar	18.3	22.3	21.9	25.2	24.2	27.6	26.4	29.4	160.9	24.4
Kaliningrad	26.6	27.9	29.1	32.6	27.5	23.7	27.5	29.3	110.2	28.0
Arkhangelsk	20.7	19.7	22.3	20.8	21.8	22.1	23.1	25.68	124.1	22.0
Veliky Novgorod	21.1	19.7	20.7	21.2	20.2	23.4	25.6	25.66	121.6	22.2
Vologda	18.6	17.8	21.0	23.0	21.9	19.0	20.3	24.8	133.1	20.8
Petrozavodsk	24.0	19.0	18.2	17.8	16.2	18.3	18.4	20.5	85.3	19.0
Pskov	17.8	14.6	15.4	19.8	16.6	20.8	18.3	22.2	124.9	18.2
Average for regional centers of the NWFD	22.4	21.8	23.3	24.8	23.8	24.2	25.0	28.3	126.3	24.2
Average for Russia	13.8	14.3	15.3	15.9	15.6	16.1	16.5	16.8	121.7	15.5

Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

Figure 6. Dynamics of expenditures of the budgets of regional centers of the NWFD, billion rubles



Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

First, we have revealed a strengthening of the extremely negative trend of exceeding financial assistance over tax revenues in the budgets of regional capitals, which is caused by a reduction in their own revenues by 30% in real terms for 2011–2018.

Second, we have proved that the inflationary impairment of budget expenditures of regional

centers of the NWFD in 2011–2018 amounted to 23%; as a result, the level of budget security for expenditures fell below 25 thousand rubles per person in a number of cities (Vologda, Petrozavodsk, Pskov).

Third, we have revealed a decrease in the fiscal function of individual income tax due to the changes in the current intergovern-

Table 8. Dynamics of expenditure budget provision per capita in the regional centers of the NWFD

Urban district	2011	2012	2013	2014	2015	2016	2017	2018	2018 to 2011	Average for 2011–2018
Murmansk	27.7	29.1	32.0	33.5	37.5	38.3	40.6	48.5	175.2	35.9
Syktvykar	19.0	20.9	23.5	26.6	25.2	29.3	26.7	29.5	155.2	25.1
Kaliningrad	30.5	29.0	29.9	31.2	32.4	24.6	27.4	28.6	93.9	29.2
Arkhangelsk	22.3	20.5	23.1	21.4	22.1	23.0	22.8	25.7	115.4	22.6
Veliky Novgorod	19.8	21.4	21.9	22.0	21.1	24.1	25.7	25.6	129.4	22.7
Vologda	19.7	19.3	22.6	23.8	22.9	19.7	21.1	25.0	127.0	21.8
Pskov	18.7	15.2	16.1	20.0	16.6	20.8	18.6	22.1	118.4	18.5
Petrozavodsk	24.6	19.0	20.4	19.0	17.3	19.1	18.6	20.8	84.6	19.9
Average for regional centers of the NWFD	23.5	22.5	24.4	25.3	25.3	24.9	25.2	28.3	120.2	24.9
Average for Russia	14.1	14.6	15.7	16.2	16.0	16.2	16.4	16.6	117.7	15.7

Source: own calculations according to the reports of the Federal Treasury of Russia; reports on the execution of budgets of urban districts; Rosstat.

mental fiscal policy; it has had a decisive impact on the stability and balance of the budgets of regional centers of the NWFD.

Fourth, in the period under consideration there is a tendency toward improving the balance of budget systems of urban districts of the NWFD. The budgets of Murmansk and Veliky Novgorod should be recognized as the most balanced budgets by the end of 2018.

These trends lead to the conclusion that the budgets of the regional centers are still in a state of survival, and they do not serve the purpose of achieving economic growth of the territories and improving the quality of life of the population. Such a frontier state requires special attention to regional centers on the part of the state. In this case, it is necessary to do the following:

- upgrade the lifestyle of the population of regional centers by stimulating the development of legal small business and the growth of the middle class;

- provide regional centers with the sources of financial resources for development, which is possible only when intergovernmental fiscal relations are adjusted; in particular, it concerns the proportions

of the distribution of taxes between the levels of the budget system;

- create an enabling institutional environment to attract investment that will create new jobs and improve the social environment of regional centers.

Without finding a radical solution to the urgent problems, regional capitals will not be able to raise the standard of living and improve the quality of life of the population; therefore they will not concentrate human resources on their territories and will not increase their own economic base.

It is for a reason that many experts argue that with the help of appropriate state regulation Russian cities should be brought to an independent level of market relations and integrated into the world economy. At the same time, we should note that the results and achievements of the city in the formation and implementation of economic potential and in political influence on the world stage largely depend on the ability of local governments to use the achievements of science, production and culture in their territory, as well as to combine trade, industrial and infrastructure functions.

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