

Regionalization in European Economic Area

Olga BURMATOVA,
Tetiana SUMSKAYA

**EVOLUTION
OF THE REGIONAL DEVELOPMENT
IN THE RUSSIAN FEDERATION**

Abstract

The basic preconditions and the position of regional policy in the economics of Russia are shown. In accordance with the objectives of public administration regions, the main priorities of regional policy are allocated. It is emphasized that in the present conditions of socio-economic development of regions an important role is played by the strategic planning and management. Among the mechanisms for the implementation of regional development strategies the economic policy of the authorities in the region of the Russian Federation is highlighted; the regional budget; the mechanism of public-private partnerships; regional programs; system of federal target programs and other tools targeted funding from the federal budget. Among the mechanisms for the implementation of regional development strategies, the economic policy of the authorities in the region of the Russian Federation are allocated; the regional budget; the mechanism of public-private partnerships; regional programs; system of federal target programs and other tools targeted funding from the federal budget. Four stages

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Burmatova Olga, Cand. of Economic Sciences, Institute of Economics and Industrial Engineering of the Siberian Branch of the Russian Academy of Sciences, Novosibirsk, Russian Federation.
Sumskaya Tetiana, Cand. of Economic Sciences, Institute of Economics and Industrial Engineering of the Siberian Branch of the Russian Academy of Sciences, Novosibirsk, Russian Federation.

of formation of the concept of Russia's regional policy are allocated, sequence and the contents of which are caused not so much by the logic of the process of regional development, but by a change in the logic of the social conditions of the country. Possible sources of financial support in the region are shown, among which critical importance belongs to resources of the budget. Currently, there are two important priorities of a long-term socio-economic development in Russia – the creation of an innovative economy and the development of human capital, including raising the quality of life of the population. One of the important ways of nation-achieving these objectives should be re-industrialization of the economy as a new economic development model that meets modern technological challenges.

Key words:

Regional development, state regional policy, strategic planning and management, restructuring, financial mechanism, fiscal policy, regional target programs, reindustrialization.

JEL: R1, R58, E6, E62.

1. Regional development in the system of national economy

Regional development in the system of national economy in Russia is carried out through the formation and implementation of the state regional policy, which is aimed at ensuring a balanced social and economic development of the Russian Federation, the reduction of regional disparities in social and economic status of the region and the quality of life. Regional policy is designed to manage the economic, social and political life of the region, to coordinate the relationship between the center and regions, promote the efficient development of regional relations.

In accordance with this the main priority of regional development is to create conditions that allow each region to have the necessary and sufficient resources to ensure decent living conditions for citizens, integrated development

and enhance the competitiveness of regional economies; realize the potential of each region; have the necessary and sufficient resources to overcome infrastructural and institutional constraints; the creation of equal opportunities for citizens and to promote human development; carrying out purposeful work on development of federal relations, as well as reforming public administration and local self-government.¹ Moreover regional policy is understood not only as a policy of the government of Russia, but also as a policy of regional authorities, implemented by authoritative bodies of the country in close contact with business and civil society institutions. Through the regions – subjects of the Federation – is carried out state social and economic policy, including industrial policy and a policy of import substitution.

The objective prerequisite for regional policy in Russia is a huge length of economic space, its structural heterogeneity in the natural geographic, resource, economic, social, ecological, ethnic and political aspects. Such heterogeneity is forcing any measure to carry out with regard to the interests and features of regions, that in terms of significant differences between the subjects of the Federation in respect of the availability and diversity of natural resources and levels of development of production, social and other factors makes it necessary to the development and implementation of regional policy as an important management policy in Russia. The absence of such policies in the past gave rise to strengthening of inter-regional disparities, has doomed the subjects of the Federation and the cities to dependence from federal support, has led to a hypertrophied inter-regional competition on the basis of wrongly chosen model of regional policy «polarized development». State regional policy should combine two seemingly contradictory trends: supporting depressed and underdeveloped regions, and support of regional «growth points» (Seliverstov V. E., p. 495).

The ultimate goal of development in each region – the creation of social and economic potential, required for the development of the region, and ensuring the effective capacity-term realization of this potential. The main control levers of the region is forecasting, programming, regional diagnosis, the use of the sovereign, public finances to solve regional problems.

¹The concept of social and economic development of Russia until 2020) – URL: <http://www.protown.ru/information/doc/7272.html>; Региональное развитие Российской Федерации до 2020 года. (Regional development of the Russian Federation until 2020.) – URL: <http://www.protown.ru/index.html>; Федеральный закон Российской Федерации от 28 июня 2014 г. N 172-ФЗ «О стратегическом планировании в Российской Федерации» (Federal Law of the Russian Federation on June 28, 2014 N 172-FZ «On the strategic planning in the Russian Federation»); Постановление Правительства Российской Федерации от 15.04.2014 № 328 «Об утверждении государственной программы Российской Федерации «Развитие промышленности и повышение ее конкурентоспособности»» (Resolution of the Government of the Russian Federation of 15.04.2014 № 328 On approval of the state program of the Russian Federation «The development of industry and increase its competitiveness»).

Under present conditions of socio-economic development of important role is given strategic planning and management. Regional development strategy are built on the basis of their mission (conceptual intentions to move in a particular direction), and the purpose of socio-economic development (specification of the mission in a form accessible to control the process of their implementation).

The mission of the state regional policy is to promote economic and social development of the regions – the subjects of the Russian Federation and municipalities – to improve the welfare and quality of life of the population in the territory of Russia; ensuring sustainable high-quality growth; strengthen the competitive position of Russia and its regions in the world. It is through the mobilization of the activity of the Russian regions, and improve the utilization of their resources is possible to conduct a socio-economic transformation, on the one hand, to significantly increase the GDP, while on the other – to implement a set of measures to reduce poverty.

The means of achieving the objectives of social and economic development is a regional program as a document of strategic planning, comprising a complex of planned activities, interconnected by tasks, time frames, performers and resources and ensuring the most effective achievement of goals and objectives of social and economic development of the regions and the country as a whole.

Strategy of socio-economic development of the subject of the Russian Federation for the long term are developed on the basis of socio-economic development of the subject of the Russian Federation and are embodied, firstly, in the main activities of the supreme executive body of state power of the subject of the Russian Federation; second, in targeted programs of the subject of the Russian Federation and, thirdly, in the schemes of territorial planning of the subject of the Russian Federation.

Strategy of socio-economic development is a system of government measures, based on the long-term priorities, goals and objectives of the policy of public authorities. In accordance with this strategy should take into account the public policy of the Russian Federation; the most important problems of socio-economic development; evaluation of the resource potential of the region of the Russian Federation; assessment of associated risks.

The objectives of the strategy development of the region include:

- 1) determination of priority directions and goals of regional development in the long term (preferably not less than 20 years);
- 2) an assessment of the potential social and economic development of the region;
- 3) the harmonization and establishment of the relationships between short-term and long-term strategic policy priorities of the development of the region;

4) the formation of the mechanism of the partnership of government agencies, businesses and NGOs;

5) maintenance the coherence of actions of federal and regional authorities.

The mechanisms of the strategy are the economic policy of the government of the region of the Russian Federation; budget of the region of the Russian Federation; the mechanism of public-private partnerships; regional programs; system of federal target programs and other tools targeted funding from the federal budget.

Currently, the system of strategic planning in Russia is based on a number of regulatory and legislative documents. In this regard, it can be called Presidential Decrees № 536 «On the basis of strategic planning in the Russian Federation» and the number 537 «On National Security Strategy of the Russian Federation until 2020»; in 2014, the Federal Law «On state strategic planning» has been passed. development of strategic documents in the regions and large cities were significantly intensified, information capabilities of such works were expanded.

Regional strategic planning is understood as a process of study and choice of strategic priorities and directions of sustainable and effective development of the region in the unity of the social, economic, scientific, technical, environmental and institutional factors and conditions, the development on this basis of control policies and implementation mechanisms that enhance the competitiveness of the socio-regional economic system and its adaptation to changing conditions of external environmental.

Regional strategic management is based on strategic planning activities of public authorities in the region with the involvement of civil society and business entities, taking into account external and internal institutional conditions and restrictions. It is aimed at the implementation of the basic mission, the strategic goals and objectives of sustainable socio-economic development of the region and strengthening its human potential and the role in the system of national and global economy (Seliverstov V. E., p. 495; Granberg A. G., Ershov Yu., Kuleshov V., Mikheeva N. N., p. 101; Seliverstov V. E., p. 194–224).

In the light of current problems of socio-economic development of Russia among the main principles of strategic planning and management should be highlighted, in our opinion, such as:

- principle of social dominance. Any strategic decisions and documents of any program of regional and municipal strategic planning and management should be considered through the prism of achieving the main goal – to increase the level and quality of life of people living in a given territory;

- the principle of partnership. A special case of this principle are the principles of public-private partnerships and corporate social responsibility;
- the principle of science, objectivity and evidence. The strategic planning process should be based on serious scientific and methodological basis for the nomination and substantiate hypotheses and scenarios of long-term development as a logically noncontradictory constructions «image of the future», based on a clear and comprehensive accounting and forecasting of the main factors of production, human potential development, environmental safety and institutional environment in their unity and cooperation;
- the principle of institutionalization. Main program documents of regional and municipal development, along with the formulation of the main goals, objectives, strategic priorities and setting out the management policy should include «built-in» mechanisms for their implementation, as well as suggestions for possible adjustments in the institutional conditions for implementation of the strategic priorities;
- the principle of improving the competitiveness of the regions of various ranks and their management systems, which means, in particular, that the category of the region's competitiveness should not be are substituting the concept of his competition for resources and to attract external investment;
- the principle of openness and information accessibility. The gradual transition from a representative democracy to direct democracy as applied to strategic planning means its new quality, based on open information systems network with the direct participation of civil society, complementing professional and expert management structure;
- the principle of innovation. Strategic decisions are inherently must not preserve the current situation, but should be aimed at finding and implementing new and innovative ways in the economic, social and technological development of the region, as well as management technologies (Selivestrov V. E., p. 495).

From the standpoint of linking the interests of the country and subjects of the Federation as the main, these interests binding instrument for strategic planning and management, recognized the federal targeted regional programs (Seliverstov V. E., p. 3–14; Kuznetsova O., p. 166–168).

The main feature of the regional programs are as follows:

- 1) the concreteness (programs contain concrete measures);

2) the target orientation (program activities designed to achieve specific goals and specific objectives that are determined not only and not so much the interests of the region, as state interests and needs);

3) prospects and indicative;

4) the prerogative and the initiative of the state in the development and implementation of targeted regional programs, including financing, involving a variety of sources, including private capital;

5) resource availability of each activity of the program (problem solving secures the necessary resources for the program, that should be clearly defined sources financing of the activities of the regional programs; while in condition of the limited financial resources implementation of regional superprojects «of image» direction should be reduced);

6) limited time (stages) of realization, the presence of concrete executors;

7) «weighting» the goals and objectives of the program in terms of (target indicators) in the base period and phase of the program;

8) development of a mechanism to monitor and control the process of their implementation and the extent to which the objectives, in accordance with which the adjustment should be carried out basic indicators, indicators and, where appropriate, the strategic priorities on the principles of «rolling plan».

Regional targeted programs within the framework of strategic planning and management allow to put the problem quite widely (as compared, for example, with investment projects), covering:

- coordination of the establishment and operation of all facilities on the territory;
- searching for innovative approaches to constructing model of development;
- structural policy measures taking into account the constant adaptation to the requirements of scientific and technical progress;
- rational distribution of production and population;
- construction of infrastructure (not just federal);
- consideration of the requirements of environmental protection and reproduction of natural resources;
- not only the connection between «center – regions», but active feedback «regions – Center» and developed a system of horizontal interactions;

- Solution of complex tangle of social problems, ultimately aimed at increasing the level the lives of people;
- integration of environmental aspects in the unity of nature and protection of human habitat;
- the opportunity to use available natural resources in the interest not only of large companies, but also the population living in the region (and in general in the context of sustainable development – in the interests of present and future generations), and others.

The approach to the development and implementation of regional programs should be based on three main points:

- 1) the organization of effective cooperation between government bodies and local authorities;
- 2) harmonization of the interests of the various actors in the region;
- 3) ensure the monitoring by government bodies over the activities of local authorities in the implementation of regional programs.

A guarantee of success of regional programs, as the Russian and foreign experience shows, are the following conditions:

- 1) the establishment of a specific procedure for funding programs, a clear definition of sources and directions of expenditure;
- 2) the organization of management, the establishment of a special management body, endowed with the necessary rights and responsibilities;
- 3) legal support activities programs, giving them an appropriate legal status and supervision of strict compliance with the law.

Ultimately, no matter how well was the program, its real efficiency depends on two conditions: the mechanism of implementation and financing. Effectiveness of activities management bodies in any country or region in the implementation of regional programs begins and effectively carried out only under the conditions of the development of the relevant legislation and its strict observance, as well as the creation of a special body management. Finally, investment and organizational issues of the projects and programs can not be resolved without the support of the regional authorities (including financial support), without the use of legal and fiscal instruments regional authorities.

As examples of the currently being implemented federal targeted regional program in the Russian Federation can be called, in particular, the following: the program «Economic and social development of the Far East and the Baikal region for the period till 2018», program «Protection of Lake Baikal and the socio-

economic the development of the Baikal natural territory in the years 2012–2020», program of the Kaliningrad region for the period until 2020, and others².

In the development and implementation of regional programs is important, in our view, do not let up, replacing the regional programs of investment projects (such as occurred in the Krasnoyarsk region with the investment project «Comprehensive Development of the Lower Angara Region»³). Regional policy should be aimed at creating conditions for the harmonious development of the regions and their social and environmental systems, for reducing the inter-regional inequalities, for supporting both regional «growth points» and the problematic regions.

In general, the successful transformation of Russia's socio-economic system and its transfer to a new state that meets the challenges of the XXI century, are impossible without the formation and implementation of strategic management, for which the strategic planning at all levels: federal, interregional, regional and local – is the most important function. The policy of modernization involves the rationalization of the spatial organization of the Russian economy and Russian society and the efficient transformation of their management systems. This should be combined with the improvement of federal relations, with increasing the role of civil society institutions and strengthen their control over strategic decisions (Seliverstov V. E., p. 495).

At the same time, the current practice of developing and implementing strategies for socio-economic development of regions is far from perfect due to the use of outdated methodical schemes and techniques, ignoring the differences between strategic and traditional long-term planning, as well as the differences between the regional strategic planning and strategic planning activities of firms and corporations and therefore ignoring the features of regional systems as objects of strategy development, and others.

It is important that not yet developed a mandatory mechanism of strategic management and monitor the effectiveness of the implementation of programs and projects. A serious disadvantage of being introduced in the federal districts, regions and cities of strategic planning systems is their formalism and excessive «processability» to the detriment of social orientation, lack of effective institutional conditions and mechanisms for the implementation, weak involvement of business organizations and civil society in the processes of regional strategy development. In general, the development of strategic planning in Russia is carried

²Федеральные целевые региональные программы. (The federal targeted regional programs). – URL: <http://fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/FcpList/View/2015/26/>.

³Инвестиционный проект «Комплексное развитие Нижнего Приангарья». (The investment project «Comprehensive Development of the Lower Angara region»). – URL: http://www.sibarea.ru/investment/investment_projects/id/5/; Распоряжение Правительства РФ от 30.11.2006 № 1708-р (в ред. от 17.03.2010). – URL: <http://www.referent.ru/1/152710>.

out in format of a single and of weakly coupled with each other actions, outside the context of the common systemic transformations of society, economy and management (Seliverstov V. E., p.495; Kuznetsova O., p. 166–168).

2. The evolution of territorial development

Regional policy of Russia has undergone various modifications since the establishment of the country's new state structure (Granberg A., Ershov Yu., p. 69–101; Seliverstov V., p. 194–224; Kuznetsova O., p.32–51; Kuznetsova O., p. 166–168, etc.).

There are several stages of formation of the concept of Russia's regional policy, sequence and content of which are caused not so much by the logic of the process of regional development, but a change in the logic of the social conditions of the country.

First, until the mid-1990s., it was aimed at countering the disintegration of and the fight against separatism. In the first half of the 1990s reform of the centralized control system began, there were works on restructuring the economy, indicating the approaches to the planning, the need to encourage not only individual areas of production, but also projects, including through restructuring and conversion of the military-industrial complex.

During this period, features of changes in the formation and development of the regions of the Russian Federation included:

- formation of a new geopolitical and economic space after the collapse of the Soviet Union;
- the dismantling of administrative-planned economy and the transition to a new economy, liberalization of the economy and the emergence of new non-state actors of ownership, privatization of enterprises;
- the opening of the national economy for the foreign market;
- a change state structure including the administrative and budget relations between the center and regions;
- decentralization of power and administration, a significant expansion of the rights of the territories in the regulation of social and economic processes;
- new regionalization of Russia, during which new areas as the cultural and socio-economic formation, is built on the basis of the general social and economic life over the old administrative boundaries (formation of new energy and transport markets, the restructuring of the edu-

cational space of the country, the formation of development zones along the corridors and, primarily, the European transport corridor № 9, the emergence of projects of new development beyond the boundaries of one region, such as the project development of oil and gas Eastern Siberia and so on), and others.

Possibilities of the federal budget in this period decreased significantly and control of a number of powers delegated to the center down the vertical of power. As a result was a new form of regional coordination, characterized by informal and lead to the strengthening of the role of regional authorities. A number of regions (Tatarstan, Bashkortostan, etc.) have received significant economic benefits and privileges that have led to an imbalance in the implementation of regional interests. This characteristic trend was motivated by a desire to preserve the territorial integrity of the country in exchange for substantial concessions regions.

Errors of the economic reforms in the first half of the 90s had a profound negative economic and social consequences, leading to the disintegration of economic ties between the regions; caused widespread decline in production, which was struck by mainly industrial regions with a high concentration of specialized industries and enterprises of the military industrial complex. Wide dissemination in relations between the regions obtained by barter and mutual off-sets, that in terms of specific regions of Russia at that time was actually the only possibility to maintain production and infrastructure of the regions and their viability. Privatization of industry in the variant which created disincentives for industrial development; tight monetary policy has affected on the deterioration of the regional conditions, which led to higher prices and reduced access to credit for businesses, and so on. This was one of the most important prerequisites for further increasing technological backwardness of Russian industry from the leading industrialized nations.

In the specific conditions of the transition period the country as soon as possible to radically change their political and economic system, which was accompanied by a profound economic crisis and the violation of controllability at all levels of the federal state. In addition, the presence of Russia's largest mineral deposits, on the one hand, «provoked» the economic crisis, «to put the country on the needle petrodollars» and form an ugly industrial structure of the economy, on the other – allowed the still survive in extremely difficult crisis conditions.

However, inefficient formation of relationships focused on the need to balance the interests of many subjects, led to the creation of preconditions for a sharp increase in the spatial differentiation of rates and conditions of economic and social development, which in turn required the development of new conceptual approaches to the inevitable problems of coordination of interests administrative-territorial and sectoral structures of different levels, on the one hand, and the state – on the other.

The second stage of the formation of the concept of Russian regional politics (the mid to late 1990s.) Had the main goal of «leveling» of socio-economic development of regions as one of the principles of federalism aimed at ensuring all citizens equal rights of access to basic goods and services regardless of their place of residence. However, there is an expansion of autonomy of territorial authorities, although the results of implemented measures to a large extent were determined by the conservation and development of the constitutive role of the Centre, acting as a guarantor of the rights of the population of individual territorial entities, as well as society as a whole.

Under these conditions, the reduction of territorial disparities have been possible only through the formation and implementation of a comprehensive highly effective public policies, fully taking into account the interests of the territorial-administrative units of different levels and different industry specialization. However, in practice such a policy is not able to form. At the same time, in this period, it has lost almost half of the Industrial production, which is not restored yet. Economic growth was supported mainly in wholesale and retail trade, construction, communications, real estate, financial and other services, i.e. capacity GDP did not go in favor of the extension of the productive forces of the real economy.

Russia's integration into the system of international division of labor at the same time strengthened inter-regional socio-economic contrasts: raw materials regions with high export potential have been in a privileged position, whereas the situation was complicated in the regions in which socially oriented enterprise sector are concentrated (eg., light industry) and which can not compete with manufacturers of imported products.

In the late 1990s – early 2000s, the state policy of regional development, based on the purposes and principles of the previous stage of development of the country itself had virtually exhausted and a regional organization, which was inherited by Russia from the Soviet Union, entered a period of major restructuring.

At the third stage of forming the Russian concept of regional policy (2000–2005) the practice of «balancing» combined with vigorous strengthening the vertical of power and an increase in dependence of the region from the center. It was then adopted a targeted program «Reduction of differences in socio-economic development of regions of the Russian Federation»⁴. At the beginning

⁴Постановление Правительства РФ от 11 октября 2001 г. N 717 «О федеральной целевой программе «Сокращение различий в социально-экономическом развитии регионов Российской Федерации (2002-2010 годы и до 2015 года)» (с изменениями и дополнениями). (RF Government Decree of October 11, 2001 N 717 «On the federal targeted program» Reduction of differences in socio-economic development of regions of the Russian Federation (2002-2010 and up to 2015) «(as amended and supplemented)» – URL: http://base.garant.ru/183843/#ixzz3i76PR9ko_

of the 2000s. suggestions were made about the need for structural reforms in the Russian economy, and in the second half of the 2000s. it has been actively discussed the need for its modernization. All the proposals were based on the need to change the economic structure with different state of the economy, when many of the production lost and can not be renewed at all or in the limited time because, in essence, nothing has been done to improve the economic and industrial structure of the economy.

During this period, the strengthening of the state power vertical is actively carried out. This was reflected in particular in the reform of the Federation Council and in the formation the State Council; in the ordering of demarcation of powers between the federal authorities, state authorities of the Federation and local authorities and harmonization of the federal, regional and local legislation; in the formation of federal districts and introducing the institution of plenipotentiaries of the President of the Russian Federation in the federal districts; development of legislation⁵; reform of fiscal relations.

In the light of implemented changes, and as well as thanks to the improved economic situation, In the light of implemented changes, and thanks to the improved economic situation, a single legal and economic space of Russia managed to largely strengthen. Federal Center was able to accumulate the resources not only for the decision-federal issues, but to a certain extent, and to stabilize the socio-economic situation in the regions (Seliverstov V., p. 495; Seliverstov V., № 2(10)).

At the same time, by the middle of 2000s, in the system of state regulation of territorial development emerged following disturbing trends (Seliverstov V., p. 495; Seliverstov V., № 2 (10); Zubarevich N., p. 7–27; Kuznetsova O., p. 125–133).

1. The actual «freezing» strong state regional policy, including focusing on reducing the world's unprecedented differentiation of Russian regions in terms of development (macroeconomic differences between the subjects of the Federation up to several tens of times!). It eliminated the federal agency responsible for regional policy, and these functions are transferred to the Ministry of Economic Development and Trade, where they are clearly not a priority.

2. There are examples when federal support receive the regions (for example, through the Regional Development Fund and the Federal target pro-

⁵ Федеральные законы «О внесении изменений и дополнений в Федеральный закон «Об общих принципах организации законодательных (представительных) органов государственной власти субъектов Российской Федерации» и «Об общих принципах организации местного самоуправления в Российской Федерации». (Federal laws «On Making Amendments and Addenda to the Federal Law «On general principles of organization of legislative (representative) bodies of state power of subjects of the Russian Federation» and «On General Principles of Local Self-Government in the Russian Federation»).

grams) for political preferences when some republics within the Russian Federation, in fact, have being obtained from these funds «the interest-free loans and irrevocable».

3. Tendencies of redistribution of functions of control over natural resources have been clearly defined in favor of the federal center.

4. Harmonization of federal and regional legislation was carried out unilaterally by using the following postulates: all federal laws are correct and perfect, while the regional laws (in case of inconsistencies by federal) – have to be adjusted or do not have the right to exist. The emphasis was on the unification of legislation, which has led to large-scale construction on the legal field of the Russian federalism «one-way street.» In other words, this process is not accompanied by a simultaneous adjustment of federal legislation considering the useful experience in the development and adoption of laws gained in a number of subjects of the Federation and proved in practice its efficiency and effectiveness.

One of the negative results of this phase was a further increase in regional disparities, as the impact of economic reforms in the region was quite different. The established principles of federal support for the regions, the general practice of state protectionism by large-scale financial aid to underdeveloped republics have created a dangerous situation in which the dependency of regions is encouraged, subsidy dependent economy (represented in the main sectors of budget services) forms, corrupt redistribution of budget increases.

All this has led to the need to form a special state regional policy, which is characterized by the transition to a new model that focuses on the goals and objectives of the regional strategic planning and management.

The fourth stage of the formation of the concept of Russian regional politics (2005 – n / sp.,) Is characterized by, inter alia, the abandonment of the practice of mechanical pulling problem areas to the level of advanced regions. In June 2005, the Ministry of Regional Development of Russia submitted to the government «Concept of socio-economic development of regions of Russia until 2020»⁶, which focuses on differentiated development of the regions, the actual fixation of their role in the Russian economy and territorial structure of the economy.

The main purpose of the «Concept of socio-economic development of regions of Russia until 2020» was to ensure balanced socio-economic development of Russian regions and municipalities. Due to the fact that there is a growing trend of growth imbalance in regional development (in terms of GDP per capita minimum and maximum values in the subjects varied in 2004, 73 times, in

⁶ Концепция социально-экономического развития России до 2020 года. (Concept of socio-economic development of regions of Russia until 2020) – <http://www.prowtown.ru/information/doc/7272.html>.

2006 – 117 times the level of unemployment: in 2004, 48 times, in 2006 – 78 times), one of the main objectives of the Concept is to create the most favorable conditions for the development of regional economies, and considering economic specialization of a particular subject.

Further development of regional policy envisages as one of the key objectives of the transition from the raw model of economic development to innovation-oriented. The Concept in this context, indicated: «Russia has set itself ambitious but achievable goals long-term development – ensuring a high level of welfare, strengthening the country's geopolitical role as one of the global leaders in defining the global political agenda. The only possible way to achieve these goals is the transition the economy on an innovative socially-oriented model of development»⁷.

In general, the relationship between the center and the regions in Russia during the years of its existence as a sovereign state the latter undergo great transformation: from the anarchic decentralization of the 1990s to the centralization of management and budget systems in the 2000s, centralization of tax revenues and the growth of the scale of budgetary redistribution. The mite in formation of relations between the state and the regions contributed financial and economic crisis of 2008–2009., the consequences of which the economy is largely recovered during 2010–2012. due mainly to high oil prices. However, in 2013 economic growth rate began to decline: in 2013, GDP growth rate declined by 4% compared to 2012. The main reason was the slowdown in investment; reduction of renewal of fixed production assets, which began during the economic crisis; growth of capital outflow from the country and, consequently, a decrease in funding for economic growth.

An important condition for ensuring the reforms in the management of the region is to develop effective financial management mechanism of the regional economy. The evolution of spatial development was accompanied by the development and management of the financial mechanism of the regions, which was required for the formation of primarily improving financial and regional policies in their relationship to stimulate regional economic development, including the revitalization and ensuring a balanced development of investment, innovation and foreign trade; as well as improving fiscal and customs-tariff mechanism to encourage and support the development of territories.

⁷ Концепция социально-экономического развития России до 2020 года. (Concept of socio-economic development of regions of Russia until 2020) – <http://www.protown.ru/information/doc/7272.html>.

3. Financial governance of the Russian regions

Financial mechanism of management of regions is an integral system of elements, which are characterized by specific forms, methods and instruments of formation and use of regional funds to ensure proper functioning regional financial system and implementation of the regional financial policy. The financial system of the region includes the funds of budgets of different levels, coming into the region, funds of enterprises and organizations of various forms of ownership, financial-credit institutions, population, and foreign capital.

Companies and organizations operating in the region, put their funds into the improvement of production and social development, provide income to their employees. In addition, they make payments to the budget and extrabudgetary funds. In addition, they make payments to the budget and extrabudgetary funds. Some (especially larger) companies and organizations carry out charitable and other expenses.

Funds of financial institutions include financial resources of investment companies operating on the territory; funds of the banking system and insurance companies; the subjects of stock transactions. These resources, along with foreign capital, may be provided to companies and the population of the region, to invest in infrastructure and social sectors, thereby increasing regional financial potential.

Funds of the population in the region are directed to consumer spending, mandatory payments and contributions, as well as savings that can be made through deposits in banks, securities, buying foreign currency, and cash remaining on hand.

The financial situation of the region is a result of both General financial and economic conditions of the country and the economic condition of the totality of economic entities on its territory. Much of the financial system of the region is also guided by legislation, primarily the budget and taxation. In addition, the financial potential of the region depends significantly on the ability of regional authorities to exercise their rights. Finally, regional Finance is largely dependent on the state of intergovernmental relations, which reflects the nature of the interaction between the Federal center and regions and, therefore, significantly affect the main indicators characterizing the level of socio-economic development of regions.

Among the sources of financial support of the regions most important value belongs to the resources of the budget. Fiscal policy is not only the necessary financial control lever at all levels of government, but also a mandatory con-

dition for the formation of the common economic space, to avoid excessive differences in level of socio-economic development of regions and municipalities. The budget system is a basic element of the financial system of the state, since other elements (Bank, tax, insurance, stock subsystem) can function only in the presence of the state. As to the budget system includes all the recipients of the country, it is a «cementing» to others, both sectoral and territorial subsystems and, therefore, it is state-forming system.

Economic stabilization in the country largely depends on the creation of an optimal mechanism of interbudgetary relations, on the ensuring of the actual combination of interests at all levels of the budget system, on the achievement of true financial equality of all authorities. As international experience shows, creating of such a mechanism is extremely difficult. The reform of the budget system in general and one of its key elements of intergovernmental fiscal relations is an important part of Russian socio-economic transformation. There are a number of actual problems, the solution of which reflects the formation and development of the Russian model of intergovernmental relations.

The initial stage of this formation (1991–1993) was characterized by decentralization of the budget system, as a result, the share of regional and local budgets in the consolidated budget revenues increased from 40 to 50–55%. At this stage there was the beginning of legislative support of intergovernmental relations (laws «About bases of the budgetary device and budgetary process» and «About bases of tax system», «The budgetary rights of the subjects of the Federation»). However, intergovernmental relations were formed largely under the influence of political factors, lobbying and coordination between the Centre and the regions. It became clear the need to reform them.

The first step in this direction was taken in late 1993 – early 1994; it provided the extension of the tax rights of regional and local authorities, the introduction of a single regulatory fees from major Federal taxes in budgets of subjects of Federation. Since 1994 a mechanism for financial assistance to regional budgets was started to develop through the allocation of Fund of financial support of regions (FFSR), whose funds were distributed between subjects of the Federation. For this purpose special formalized procedures were proposed, in which the distribution criteria were indicators of tax revenues and regional budget expenditure per capita.

Along with the above mentioned process there was the allocation of expenditure in favor of the budgets of the territories without the necessary financial support (primarily of expenses in the social sphere and housing and communal services). As a result we have such a system of interbudgetary relations, which, although it corresponded in general to the basic principles of fiscal federalism, however, has lacked a holistic framework and virtually ignored local budgets – the basis of any budget system. This has led to the deepening of the crisis of intergovernmental relations.

In 1996–1998, the reform of local Finance began (the law «About financial bases of local self-government in the Russian Federation»), Budget code and the General part of the Tax code were adopted. However, these legislative acts were largely imperfect, and a number of their provisions required major revisions. Budgetary relations continued to remain a source of continuing tension in relations between authorities of different levels, the imbalance of regional and local budgets has increased, which could be a threat to the stability of the economy and fiscal system of the country. Therefore, a series of measures restricting the possibility of borrowing sub-national authorities were adopted.

In 1998, the Russian Government has developed and approved the Concept of reforming of inter-budgetary relations in the Russian Federation in 1999–2001. In 1998, the Russian Government has developed and approved the Concept of reforming of inter-budgetary relations in the Russian Federation in 1999–2001. Its main task was to form a new mechanism of financial support of subjects of Federation. In accordance with this in 1999–2001 FFSR was significantly reformed, a new methodology for allocation of transfers was introduced aimed at equalization of budgetary security of regions while simultaneously creating incentives for more effective fiscal policy. This technique was supplemented and corrected in 2004 and 2008.

Since 2001 a new element was introduced in the mechanism of financial support of subjects of Federation– the compensation Fund. Unlike FFSR, leveling the overall budget provision, it is intended for financing of the obligations imposed on the budgets of the regions by Federal laws. Subventions and subsidies of compensation Fund must be allocated to all regions regardless of their financial status. In addition, the Federal budget established a regional development Fund to support the investment of public infrastructure and the regional development Fund of Finance to support budget reforms on a competitive basis.

The stability of intergovernmental fiscal relations largely depends on the strengthening of the revenue base of budgets of all levels. But a characteristic feature of the budget system of Russia in the late nineties was the centralization of resources at the Federal level at the expense of subjects of the Russian Federation. This had a negative impact on local budgets. To solve the problems of strengthening the revenue base of territorial budgets the «Program of development of budget federalism in Russia for the period till 2005» was adopted. A key objective of the program was to provide real fiscal autonomy and responsibility of regional and local authorities.

However, the Program did not provide for significant shifts in the distribution of resources between levels of the budget system. The main requirement was to ensure compliance with the proportions of the division of budget revenues by vertical and horizontal fiscal equalization allocation of budgetary obligations. In General, the basic idea of the Programme was the concentration of tax revenues at the Federal level and funding at their expense, primarily of the cost of

servicing the public debt. In this the burden of social expenditures in the Russian Federation is constantly increasing while reducing their tax capacity. Thus, the most pressing problem of inter-budgetary relations associated with inappropriate cleavage of Federal taxes, which the vast majority of subjects of the Russian Federation are, or are in need of financial support, and remains open.

Considering the necessary fiscal reforms at the sub-national level, it is important to note that the most significant real income Federal center distributes in its favor, strictly regulating with limited own tax sources of subjects of Federation. At the same time significantly increases the amount of financial funds on the level «region – municipality»: instead of a single Fund of financial support of municipal formations they created a regional Fund of financial support of settlements, the regional Fund of financial support of municipal areas (urban districts), the regional compensation Fund, the municipal development Fund of subject of the Russian Federation, regional Fund of co-financing of social expenditures, the regional Fund of financial support of settlements, etc.

Thus, the ultimate goal of planned and consistently implemented reforms in the public sector is the completion of the transition to a centralized, tightly controlled from the center of the unitary model of the budgetary system of the country in which regional and local budgets are inferior.

In 2006–2008 the improvement of intergovernmental relations was held in the framework of the Concept of increase of efficiency of inter-budgetary relations and quality of management of state and municipal finances in the Russian Federation. It did not envisage radical changes in the system of intergovernmental relations and was designed to increase the effectiveness of the current system and the quality management of regional budgets, the inclusion of appropriate incentive mechanisms. The concept, furthermore, aimed to strengthen the financial independence of the regions, to improve financial management and create incentives to increase revenue and to ensure compliance with the principle of transparency in the formation of regional and local budgets. Its advantage is that special attention is paid to the need for measures aimed at promoting the reduction of subsidization of territorial budgets. In 2007 the first three-year budget was accepted (2008–2010), the Budget code reflected a new budget classification, expenditure commitments and kinds of budgetary allocations, the implementation of the budget process, the participants in the budgetary process were identified. Federal laws, normative legal acts of subjects of the Russian Federation and bodies of local self-government expenditure commitments were divided into active and taken on public enacted by the legislative acts of direct action, and civil, taken by other regulatory legal acts and international treaties within the limits of budgetary obligations.

Further development of the budget reform was the Program of increase of efficiency of budgetary expenses on the period till 2012, which was adopted in 2010. On the agenda was: the transition to the program budget structure, optimi-

zation of functions of public administration; improving the efficiency of public and municipal services; the development of the system of state and municipal financial control; the formation of a comprehensive Federal contract system; reforming the system of budgetary payments; development of information system of public Finance management.

Government programs combine all policy tools to achieve the goals, consist of routines, and may include federal programs. The state program is being implemented by the Ministry in charge, which may involve subcontractors responsible for their routines. All government programs Federal and regional and municipal programs are linked together into a single complex. Thus, a situation in which the majority of Russian regions, especially those that are not in the deep subsidy depending on the federal government, the decisive edge of financial relations with the federal center is shifting from getting intergovernmental transfers to ensure adequate participation of the region in programs and projects, co-funded by the federal government. Accordingly, the stimulatory effect of intergovernmental relations is also increasingly associated not with the terms of subsidies but with the active participation of the region in these programs and projects.

We are talking about programs of regional infrastructure development, industrial clustering, support information, small and medium innovative enterprises, the development of the material base of the sphere of social services, support for the SEZs, science cities, etc. The distribution of these funds on a competitive basis should have systemic stimulus, impelling the region not only to the effective management of the budget process, but also to a qualitative change in improving the investment climate in the design, management and financing, in the development of the practice of public-private partnerships, and so on.

In general, evaluating the results of conversion of the public sector in Russia in recent years, it can be noted that at first subjects of the Federation were provided by a wide freedom of fiscal powers in the management of budget revenues at the subregional level, though under strict control by the federal government. Later, however, and until now there is a consistent policy of strengthening the centralization of powers, which is reflected in the change of the fiscal legislation. As a result territorial budgets have lost a significant part of tax sources, and regulation of interaction of regional and local authorities was reduced to using a transfer mechanism. However, the sustainable development of territories requires empowerment of regional and local authorities effective controls and, above all, increasing their tax powers. Increased interest of regional and local authorities in improving tax collection and economic development of municipalities can be promoted by the formation of an effective mechanism for regional and local taxation. All of these issues are particularly relevant in light of the new challenges of economic development in Russia as a whole and its regions.

4. Destinations of Regional Development of Russia

The current economic situation of the country is seriously affected by a strong external economic pressure; a significant decline in world prices for the main components of Russian exports; limiting foreign borrowing, and especially the reduction of «long» money; outflows and capital flight; effects of the economic crisis and other factors. All of this significantly affects the economic growth rates, inflation rates, the amount of investment, the state of the currency market, the level of unemployment, living standards, etc.

Under these circumstances, in the framework of anti-crisis measures taken by the Government of the Russian Federation and on the basis of their anti-crisis plans in many subjects of the Federation measures to ensure social stability and support of the industry, the agricultural sector, small and medium enterprises, the banking sector, the employment market have been already implemented. At the federal level to that substantial funds were allocated – more than 2 trillion. rub., which is almost 15% of all budget expenditures in 2015.

The difficulties faced by Russia, give it a unique opportunity for transition to a new model of economic growth, development and implementation of innovative policies and future investment policy of socio-economic development of the regions, the implementation of the strategic objectives of diversification and qualitative changes in the structure of the economy, the transition from de-industrialization to the re-industrialization of the economy.

The Russian government has marked two important priorities of long-term social and economic development – the creation of an innovative economy and the development of human capital, including raising the quality of life of the population. One of the most important ways of achieving of these objectives should be re-industrialization of the economy, understood as a state policy to accelerate the process of economic development, reconstruction and modernization of existing production facilities on the basis of fundamentally new technologies, create new high-tech industries.

Implementation of innovative, socially-oriented regional development scenario requires a new industrial policy⁸. During the years of reform and transition in Russia the domestic industry, particularly manufacturing has been significantly

⁸ Государственная программа Российской Федерации «Развитие промышленности и повышение ее конкурентоспособности на период до 2020 года». – М: Минпромторг России — 2013. (State program of the Russian Federation «The development of industry and increase its competitiveness in the period up to 2020». – Moscow: Russian Ministry of Industry and Trade – 2013).

undermined. Thus, the manufacturing sector of Russian industry, which condition is determined by the level of development of mechanical engineering today is characterized by a deep decline in production: at the end of 2012 the volume of manufacture of engineering products amounted to little more than half of the 1991 level, and by 2015, according to the forecast of Ministry of Economic Development of Russia, will not exceed two-thirds of the volume in 1991 (Bodrunov S., p. 59–71; Bodrunov S.; Bodrunov S., p. 14–25).

Reindustrialization involves the simultaneous solution of major problems on several interrelated areas (Bodrunov S., p. 14–25; Sukharev O., p. 2–16; Valentey S., P. 72; Valentey S., № 3; Glasiev S.):

- 1) repair or modernization of production facilities, obsolete or lost in the process of de-industrialization;
- 2) the implementation of programs and projects of innovative industrialization;
- 3) the transition to a new stage of industrial development taking into account the characteristics of the industry and technological challenges of the coming decades.

Among the most important technological challenges are:

- the increasing pace of development of new technologies that increase productivity and lower the cost of production;
- reducing the share of labor costs in the industry for the production of new products with an increase in the share of development costs;
- strengthening the «personalization» of production, reduction of its mass;
- increasing complexity of production, applied technologies and manufactured products;
- accelerating the intellectualization of production and robotics;
- increasing trend of «physical» rapprochement of developer and manufacturer, reducing the time to introduce new products;
- permanent increase in the rate of technology transfer, routinisation the process of technology transfer;
- increasing intensification of integration processes in the industry, the development of new forms of integration and industrial structures (clusters, and so on) (Bodrunov S., p. 14–25).

The most important part of economic policy should be industrial policy, as the industry in Russia is a major sector, largely shaping gross domestic product (about 30% of its volume), and determines the level of economic development of

the country. The importance of the industry is also in the fact that here the greatest opportunities of economic revival are concentrated in the case of technological upgrading and transition to high and progressive structure of production in the core area of the national economy. We are talking about a major technical breakthrough on the basis of re-industrialization. Therefore, industrial policy appears fundamentally new content (Velentey S., p. 7; Glasiev S.; Aganbegyan A., № 6; Aganbegyan A., № 7–8; Aganbegyan A., p. 6–12).

A significant element of industrial policy in all regions should be the development of industrial parks and industrial clusters. So, of particular importance is the innovative direction of regional policy, the formation of zones of accelerated development based on new technologies (industrial parks, technology parks and clusters). Currently, there are about 50 industrial parks, about the same amount is under construction. For these formations new support mechanisms are being introduced to enable intensive development of this important instrument for the implementation of industrial policy. In particular, residents of industrial parks are provided by prepared infrastructure, and a package of additional incentives, including tax incentives, loan guarantees, subsidies, trade incentives.

Along with this importance of the cluster approach is increased. Its application allows you to focus on completing specific technology niches, strengthen competitiveness, and reduce total costs. The cluster approach is currently one of the key elements of the strategy of socio-economic development of regions of the Russian Federation.

It allows, in particular, stimulate the development of small and medium enterprises with important benefits such as:

- the ability to diversify the production structure of the region (thereby increasing the stability of its economy, unemployment is removed, etc.);
- greater flexibility in terms of considering the factor of innovation, the introduction of high technologies;
- more effectively and at less cost to solve environmental problems;
- the release of large companies from the need to solve small problems;
- higher growth rates;
- they are easier to provide on-site with everything you need – land, raw materials, electricity, water, labor, services, infrastructure, etc., so that small and medium-sized businesses better fit into the existing structure of the economy of any region.

At the same time the industrial clusters are considered as one of the most important instruments for mobilizing resources in the regions for economic growth, increasing competitiveness and diversification of the regional economy.

In general, the solution of many fundamental problems of the Russian economy requires accelerating socio-economic development. According to the academician AG Aganbegyan (Aganbegyan A., № 6; Aganbegyan A., № 7–8; Aganbegyan A., p. 6 12), accelerating of socio-economic development of Russia needs a radical restructuring of the economy, including the following major key activities.

1. Technological modernization of the economy, the transition from a backward material and technical basis for the use of modern technologies, advanced generation of new technology.

2. Radical modernization of the structure of the economy, including a significant increase in GDP share of finished products with high added value by doubling and tripling the share of high-tech, knowledge-based and innovative industries. Thus will be eliminated determining dependence of the economy on oil and gas revenues, and commodity exports.

3. Maximum scope of the rapid development of the «knowledge economy» – the whole system of R&D, education, information technology, biotechnology and healthcare. The share of this sector in GDP from 15% at the present time it is advisable to increase to 25% by 2020, and by 2025 up to 35% (in Western Europe, the share is 35%, while in the US – 45%).

4. Focus on major economic sector – the engine of development, production growth rates which will multiply exceed the rate of development of the national economy as a whole, will ensure its accelerated development. Modernization processes in the economy and the rapid development of high-tech industries will improve the competitiveness of domestic products and achieve further growth in issuance by import substitution.

All of these measures can significantly reduce the forces that slow down the development of the economy in general and the regions in particular.

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