

# R

---

## Regional Governance

Irina Iлина and Evgenij Pliseckij  
Department of Public Administration, Faculty of  
Social Sciences, Institute for Regional Studies and  
Urban Planning, Moscow, Russia

### Synonyms

[Regional authorities](#); [Regional policy](#)

### Definition

Organizing and regulating influence of public authorities on the activity of the population of the region, in order to streamline and reproduce, based on their power force

### Introduction

*Region* is a defined area with distinct qualifying features to differ from other areas, comprising integrated and interrelated natural and social components. The Russian Federation (RF) interprets a concept of a region in a narrower, more “legalistic” fashion, as referenced in the *Key Provisions of the Regional Policies in the Russian Federation* in 1996, where it is treated as “. . . a part of the Russian Federation territory with common natural, socioeconomic, ethnic, cultural and other

conditions.” The concept was simplified in 2016: “a region is a part of the Russian Federation territory within the boundaries of a Russian Federation *constituent*” (On Approval of Public Policy of Regional Development in the Russian Federation until 2025, approved by the RF President’s Decree #13 of January 16, 2017.). The region may coincide with the boundaries of a Russian Federation constituent or unite several constituents. When a region is a subject of law, it is understood solely as a Russian Federation constituent (Key Provisions of the Regional Policy in the Russian Federation, approved by the RF President’s Decree #803 of June 3, 1996).

Every region has an area and a geographic position. The scale and geography make every region unique. This uniqueness is a function of physical geography and natural conditions, location of the region, its economy, social and political status, the pattern of its development, population, and many other factors.

### Zoning of the Territory of Russia

There are eight federal okrugs (clusters of regions) in Russia that may be considered *macroregions*. The key regions in the Russian map are the Russian Federation constituents, 85 of those as of 2014.

*Microregion* is a part of a region. It is normally an area (subregional administrative unit) within a Russian Federation constituent. For example, Rostov Oblast (a Russian Federation constituent territory) includes six subregions (economic

districts) within the Oblast: Northern, Western (Donbass), South-Western (Azov area), Southern, Eastern, and South-Eastern.

Specific types of regions are referred to as *districts (raions)*. The regional economy and economic geography operate with such concepts as economic districts, administrative districts, and intra-urban districts.

Comprehensive regional socioeconomic analysis forms the basis for regional development governance. The “regional governance” may be viewed as a combination of theory and practice of managing the socioeconomic processes in the region. The regional academia develops methods and mechanisms for the most effective and efficient achievement of goals and objectives in the regional development.

The main policy goal of the regional governance is the improvement of well-being of the people as part of *sustainable development*. The science behind the Russian regional governance is still at the shaping stage caused by the historic transition from the planned market economy at the end of the twentieth century.

The regional governance pursues the following objectives in the market economy:

- To review, forecast, and program a comprehensive regional development
- To develop conditions for strengthening the economic framework of the region
- To develop and implement the investment, research, and technological policy in the region
- To develop market infrastructure
- To support environmental safety

The regional governance formally deals directly with enterprises and entities owned by the federal constituents primarily. The regional governance makes a direct impact on these entities and an indirect impact on other entities in its territory.

Planning has been used for practical purposes since 1920s, and that time predetermined its sector-based approach rather than territorial approach, making it different from the Western countries’ experiences. Focus on regional

planning is a response to an obvious inefficiency of a sector-based planning approach to the national development governance.

Traditional administrative definition results in the recognition of some diversity: there are regions with cities playing a key role. Examples in the Russian Federation include Moscow, a city region, a stand-alone constituent of the Russian Federation. Such regions are atypical. Ultimately, Moscow is the only region out of 85 whose share of credit institutions and foreign investments exceeds 50%. Therefore, a good balance and equity promotion fiscal policy shall take into account in this diversity, and it is not a trivial task. Moreover, such a city would often dominate in all other sectors. The share of Moscow as a region in the gross regional product (GRP) and population of the country is almost 25% and 8%, respectively. This makes this region very inconvenient for the analysis. Dynamic comparison of different regions requires a functional understanding of the reasons and trends in the regional growth.

Authorities’ performance are judged upon by the following indicators: regional income levels, population numbers, life expectancy, mortality rate, prevention of social orphanage, and unemployment rate. One of the very important criteria is the public opinion, the level of user satisfaction with the local officials’ activities (Ministry of Regional Development of the Russian Federation. Department for Development, Comprehensive Assessment of the Activities of the Constituents of the Russian Federation and the Local Authorities. On Evaluation of Performance of the Executive Authorities of Constituents of the Russian Federation Based on the Outcomes of 2012. M., December 2013).

Decree #1199 of the President of the Russian Federation of August 21, 2012 *On Evaluation of Efficiency of Activities of the Executive Authorities of the RF Constituents* and Resolution #1142 of the Government of the Russian Federation of November 3, 2012 (as revised by Resolution #957 of the RF Government of October 25, 2013) established a methodology for assessment of performance indicators for the activities pursued by the executive authorities and the rankings of the

Russian Federation constituents based on the indicator data.

Rankings are based on the following indicators (Ministry of Regional Development of the Russian Federation. Department for Development, Comprehensive Assessment of the Activities of the Constituents of the Russian Federation and the Local Authorities. On Evaluation of Performance of the Executive Authorities of Constituents of the Russian Federation Based on the Outcomes of 2012. M., December 2013):

- Investments in the fixed assets (excluding budget allocations)
- Level of tax and nontax revenues of the consolidated budget of a constituent of the Russian Federation
- Small businesses' products (services) turnover
- Actual household disposable income
- Area of new housing to the total area of all housing stock
- Average annual unemployment rate
- Expected life expectancy at birth
- Graduates of public (municipal) general education institutions who failed at the Unified State Examinations to the total number of graduates
- Mortality rate (excluding mortality caused by external factors)
- Share of children deprived of parental care including those transferred under the care of unrelated people (foster care, adoption, custody (guardianship), family care homes, and foster families), and placed in the public (municipal) institutions of all types
- Public evaluation of performance of the executive authorities of constituents of the Russian Federation

Table 1 below shows the resulting rankings based on performance of executive authorities of some constituents of the Russian Federation

The assessment of regional governance quality for 3 years resulted in the identification of 20 lead regions in 2016: Voronezh Oblast, Chechen Republic, Republic of Tatarstan, Lipetsk Oblast, Saint Petersburg, Sakhalin Oblast, Tyumen

Oblast, Tambov Oblast, Nenets Autonomous District, Moscow Oblast, Republic of Ingushetia, Republic of Mordovia, Chukotka Autonomous District, Tula Oblast, Kursk Oblast, Republic of Sakha (Yakutia), Rostov Oblast, Yamalo-Nenets Autonomous District, Khanty-Mansi Yamalo-Nenets Autonomous District-Yugra, and Belgorod Oblast.

Governors' performance rankings (Governors performance ratings for 2014.) are developed on the basis of the data from the Public Opinion Fund, Federal Service of Public Statistics of the Russian Federation, National Monitoring Service, and social status indicators of the Russian regions and assessment of the federal and regional experts. Top officials from Yamalo-Nenets Autonomous District, Kaluga Oblast, Republic of Tatarstan, Belgorod Oblast, City of Moscow, Kemerovo Oblast, and others got into the first category of officials "with a very high ranking" (above 75 score), according to the third release of rankings (2014 version).

This rating methodology incorporates five modules. The first (core) module is based on the results of the Public Opinion Fund, Georating, and evaluation of the head of the relevant constituent of the Russian Federation, taking into account a regional situation in the RF constituents.

The second module is about the household cash revenues and expenditures ratio in the region under review.

The third module is about the position of a relevant region in the rating of social status of the Russian regions.

The fourth module concerns assessment of the constituent's economy by its population.

The fifth module is the ratio of positive and negative information about activities of the regional head in the media.

The National Research University Higher School of Economics issued the second release of Innovative Development Rankings of the RF constituents in 2014 (the first release of rankings was published in 2012).

The rankings take into account an extensive list of indicators (36 in total) broken down into four thematic blocks (with 13 subblocks):

**Regional Governance, Table 1** Performance evaluation rankings of the executive authorities of ten leading constituents of the Russian Federation

Ranking	Region	Ratings	Grant allocated in 2013 (,000 Rub) <sup>a</sup>
1	Republic of Tatarstan	64,408	325 925,3
2	Belgorod Oblast	62,864	318 112,1
3	Voronezh Oblast	60,872	308 032,0
4	Krasnodar Krai	53,908	272 791,9
5	Kaluga Oblast	52,184	264 067,9
6	Tyumen Oblast	52,036	263 318,9
7	Chechen Republic	52,000	263 136,8
8	Yamalo-Nenets Autonomous Okrug	51,536	260 788,8
9	Kursk Oblast	51,264	259 412,4
10	Nenets Autonomous Okrug	51,096	258 562,2

Source: Ministry of Regional Development of the Russian Federation. Department for Development, Comprehensive Assessment of the Activities of the Constituents of the Russian Federation and the Local Authorities. On Evaluation of Performance of the Executive Authorities of Constituents of the Russian Federation Based on the Outcomes of 2012. M., December 2013

<sup>a</sup>The RF public program Regional Policy and Federative Relations. Approved by Instruction #435-r of the RF Government on March 26, 2013, it provides for consolidation of grants and donations to promote the tax capacity building (targeted support for well-balanced regional budgets). The program was funded with the allocation of 5,278,300 million Roubles. In 2013, the grant amounts vary from 240 to 330 million Roubles

- Socioeconomic environment of innovative activities
- Research and technical capacity
- Innovative activities
- Quality of innovation promotion policy

The resulting rankings of the Russian Regional Innovative Index (RRII) include four groups of regions (Rankings of the Russian Federation constituents by the Regional Innovative Index values.) (see Table 2).

Concept Policy on Social and Economic Development of the Regions of the Russian Federation (Ministry of Regional Development of the Russian Federation, January 22, 2007 (typology developed on the basis of Conceptual Strategy of the Socioeconomic Development of the Regions of the Russian Federation) – <http://www.minregion.ru>.) proposed a new typology of the RF regions aimed at governance strengthening (2007). The typology took into account various degrees of regional involvement in the globalization, urbanization, and neo-industrialization processes. In view of long-term prospects, the RF Ministry of Economic Development has focused on specific features of every regional type, as

identified through a comprehensive review of social and economic indicators and experts' assessments. The types vary from regions – locomotives of growth (global cities and cities of federal importance) to backbone regions (whose economy is driven by natural resources and old manufacturing facilities) to depressed regions (background and crisis-hit) (N. Yermakova and A. Kaloeva. Typologies of Regions for the Purposes of Regional Policy: Training manual. – SPb.: SPbGUEF Publishers, 2011).

There are many papers discussing definition and research of “depressed regions” and related typologies (M. Lyashevskaya, L. Smirnyagin, and G. Bylov; L. Ivanchenko, S. Khursevich et al.); some researchers emphasize ambiguity and ambivalence of the term itself (S. Khursevich).

The budget structure is always in line with the public governance system, resulting in a three-tiered budget.

Every budget tier is independent, meaning that it has its own revenues and spending mandates without any responsibility for the budgets of other tiers.

Consolidated budgets are an analytical tool to be developed for the analytical purposes only.

**Regional Governance, Table 2** Rankings of the Russian Federation constituents by the Regional Innovative Index values

Region	RRII group	RRII ranking	RRII value
Moscow City	I	1	0,5850
Republic of Tatarstan	I	2	0,5606
Saint Petersburg City	I	3	0,5382
Nizhny Novgorod Oblast	I	4	0,5006
Kaluga Oblast	I	5	0,4934
Chuvash Republic	I	6	0,4926
Sverdlovskaya Oblast	I	7	0,47547
Tomsk Oblast	I	8	0,47545
Moscow Oblast	I	9	0,4751
Ulyanovsk Oblast	I	10	0,4661
Perm Krai	I	11	0,4594
Novosibirsk Oblast	I	12	0,4584

The formulation of budgets is in line with the legislation approved by the RF constituents for the next year or two of their planning process.

The main goal of budgeting is the establishment of the environment for balanced development of the fiscal system as a whole. Budgeting seeks to promote dynamic development of the society and economy and to meet the social commitments of the government before the citizens. This statement is true of any budget level, not just the federal one.

*Both the RF constituent's budget* (or regional budget) and a budget of a *territorial state extra-budgetary fund* are expected to meet the spending commitments of the RF constituent. The region's budget and a combination of municipal budgets within the region form a consolidated budget of the RF constituent.

*Budgets of municipalities* within a region are not included in the regional budget.

Consolidated budgets are used for statistics and for the analysis of the regional budget system. Regional budgets are expected to meet the spending obligations of two types:

- Resources allocated for meeting the spending mandates of the RF constituents emerging from authorities of the regional bodies within the competencies of the RF constituents under Article 73 of the RF constitution in the

implementation of the tasks owned by the RF constituents;

- Authorities associated with the tasks jointly owned by the federal and regional powers to meet the commitments of the RF constituents funded through the subventions from the federal budget.

In accordance with Article 72 of the RF constitution, they include:

1. Ensure the compliance of constitutions, laws, articles of association, and other regulations of RF constituents (krais, oblasts, cities of federal significance, autonomous regions) with the RF constitution and federal laws.
2. Protect the rights and freedoms of an individual and citizen; protect the rights of ethnic minorities; ensure compliance with law, public order, and public security; and implement the border zones regime.
3. Issues related to ownership and the use and management of land, subsoil, water, and other natural resources.
4. Delineation of state property rights.
5. The use of natural resources, environmental protection, and safety; specially protected natural areas; and protection of historic and cultural legacy.
6. General issues of education, research, culture, fitness, and sports.

7. Coordination of health issues; protection of family, motherhood, fatherhood, and childhood; and social protection, including social welfare.
8. Implementation of measures to control accidents, natural disasters, epidemics, and elimination of their consequences.
9. Establishment of general taxation principles in the Russian Federation.
10. Administrative, procedural, labor, family, housing, land, water, forestry, subsoil, and environmental legislation.
11. Judicial, law enforcement, lawyer, and notary staff.
12. Protection of native habitats and traditional way of life of small ethnic communities.
13. Establishment of general organizational principles for state authorities and local governments.
14. Coordination of international and external trade relations of the RF constituents and implementation of international agreements of the Russian Federation.

The Article provisions apply equally to the republics, krais, oblasts, cities of federal importance, autonomous oblast, and autonomous districts.

The Constitution defines a framework of obligations with further details specified in Federal Law #184 *On General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Constituents of the Russian Federation*.

### **Regional Sources of Revenues and Expenditures**

*Budget revenues* are money transferred to the budget except for the money to finance budget deficit.

Regional budgets' own revenues, as well as those of budgets at other levels are divided into tax, nontax, and gratuitous transfers (Article 47 of the Budget Code). Figure 1 below provides a more detailed structure of the regional budgets' revenues.

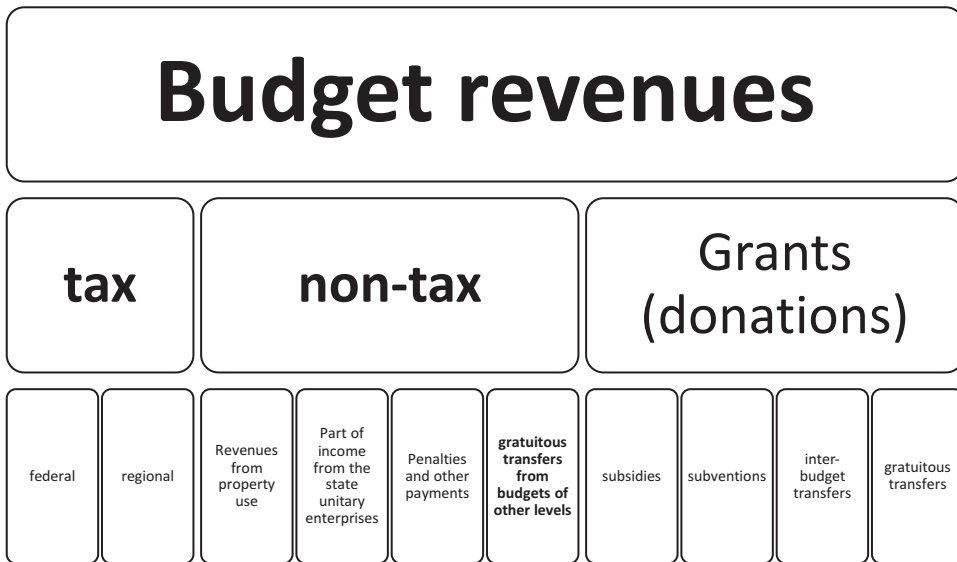
Tax revenues include two groups of taxes: regional taxes and federal ones.

Regional taxes are as follows:

1. Corporate property tax
2. Tax on gambling business
3. Vehicle owners' tax

Federal taxes and fees, including the ones paid under special tax regimes:

1. Tax on profit of organizations at the rate set forth for crediting the above tax to the budget of a constituent of the Russian Federation
2. Tax on profit of organizations under the production of sharing agreements signed before the effectiveness of the Federal Law *On Production Sharing Agreements*, when they do not foresee special tax rates for crediting the above tax to the federal budget and the budget of a constituent of the Russian Federation
3. Personal income tax
4. Personal income tax to be paid by foreign citizens as a fixed advance payment when they work in the territory of the Russian Federation on a patent (prepaid license) basis
5. Excise on ethyl alcohol produced from edible raw material
6. Excise on alcohol-containing products
7. Excise on gasoline
8. Excise on various alcohol-based products at the rates associated with relevant products
9. Tax on extraction of commonly occurring mineral resources
10. Tax on extraction of mineral resources (except for the hydrocarbons, natural diamonds, and commonly occurring mineral resources)
11. Tax on extraction of mineral resources in the form of natural diamonds
12. Regular payments for the extraction of mineral resources (royalty) under the production of sharing agreements in the form of hydrocarbon raw materials (except for combustible natural gas)
13. Fee for using water biological resources (except for the internal water bodies)
14. Fee for using water biological resources (applies to the internal water bodies)
15. Fee for using wildlife resources



**Regional Governance, Fig. 1** Types of revenues of the regional budgets

- 16. Tax collected in relation to the use of a simplified taxation system
- 17. Minimal tax collected in relation to the use of a simplified taxation system
- 18. Various types of official duties (subject for crediting at the location of official registration, or execution of legal acts, or issue of documents)

The revenue base may differ in the cities of federal importance, like Moscow and Saint Petersburg, or in regions (krajs and oblasts) which include autonomous districts.

Regional governance bodies may:

- Introduce regional taxes
- Establish tax rates
- Establish additional standards for the contribution of personal income tax to the local budgets, at the rate of at least 15% of the tax revenues of the constituent’s consolidated budget
- Provide tax breaks on the regional taxes

Special tax regimes may be associated with:

- Flat tax sharing rate for all settlements
- Flat tax sharing rate for all municipalities

- Flat tax sharing rate for all urban districts

The above rates and standards shall remain valid throughout the entire period of the budget effectiveness (1 or 3 years), as established by an RF constituent for its municipalities. The personal income tax may serve as an example of a regulating role of a regional budget.

RF constituents may raise nontax revenues for their budgets through:

1. Revenues from the operation of state assets owned by the RF constituents, except for the assets of budget and autonomous entities of the RF constituents and the assets of state unitary enterprises of RF constituents, including public establishments
2. Revenues from sale of assets (excluding shares and other forms of capital participation), in state ownership of RF constituents, except for movable assets of budget and autonomous entities of the RF constituents and the assets of state unitary enterprises of RF constituents, including public establishments
3. Revenues from fee-based services provided by public establishments of the RF constituents

4. Partial revenues of unitary enterprises established by the RF constituents, after payment of all taxes and other mandatory fees to the budget at the levels under the procedure described in the laws of RF constituents
5. Fees for a negative impact on the environment
6. Fees for use of forests
7. Declaration fees
8. Revenues from sale of land parcels
9. Revenues from sale of immovable properties simultaneously with the land parcels occupied by such properties
10. Fees for the use of water resources owned by the RF constituents
11. Once-only payments for subsoil use if specific events occur as agreed upon in the licenses (bonus payments), for the parts of subsoil resources containing diamond deposits

Revenues to the budgets of RF constituents – cities of federal significance (Moscow and Saint Petersburg) – differ from other constituents due to the functions they deliver.

Gratuitous transfers:

1. Transfers (donations) from other budgets of the RF budget system
2. Subsidies from other budgets of the RF budget system (inter-budget subsidies)

3. Subventions from the RF federal budget
4. Inter-budget transfers from other budgets of the RF budget system
5. Gratuitous transfers from individuals and legal entities, international organizations, and foreign governments, including voluntary donations

*Budget expenditures* are money paid from the budget except for the resources to cover the budget deficit.

Expenditure obligations of the RF constituent result from the legislation and other regulations of the constituent and signature of contracts (agreements) by the public institutions of the RF constituent on behalf of the Russian Federation.

Regulation of subvention-associated federal budget spending by regions is indirect. No direct quantitative restrictions are imposed; nevertheless, if an RF constituent exceeds standards used for the calculation of relevant subventions, then it would have to mobilize its own revenues and deficit-funding sources to finance extra expenditures needed to execute the RF constituent's expenditure obligations in full.

The same approach works in the establishment of a regional budget deficit threshold. The RF Budget Code does not allow an RF constituent's budget deficit go above 15% of its approved annual budget revenues without consideration of approved amount of gratuitous transfers.