

Inter-budget relations as a form of federalism

Las relaciones interpresupuestarias como una forma de federalismo

Nalezhda Grinchinko¹
 Altai State University - Russia
 glv@email.asu.ru
 Irina Ignatovskaya²
 Altai State University - Russia
 irign2010@mail.ru
 Konstantin Cheprasov³
 Altai State University - Russia
 tor-quemada89@mail.ru
 Vera Zubkova⁴
 Altai State University - Russia
 zvs89@mail.ru

ABSTRACT

We analyzed the existing experience of foreign federal states (USA, Switzerland, Canada, India, and Germany) and establishes that the most interesting for the Russian Federation is the experience of building a federal budget of Germany. In our review we described that in the considered legal orders similar principles and criteria of inter-budget equalization are applied, the choice of which depends on national peculiarities, financial policy, goals pursued by the legislator and specificity of the territorial structure of the country. We noted that the Russian Federation is characterized by an asymmetrical federation, which generates imbalance in the financial provision of the constituent entities. We proposed to carry out budget equalization of the constituent entities of the Russian Federation by means of value added tax and to implement the principles of solidarity and mutual assistance of the constituent entities with horizontal equalization.

Keywords: Budgetary federalism, inter-budgetary relations, budget equalization of the subjects of the Russian Federation, asymmetric federalism.

RESUMEN

Analizamos la experiencia existente de los estados federales extranjeros (Estados Unidos, Suiza, Canadá, India y Alemania) y establecemos que lo más interesante para la Federación Rusa es la experiencia de construir un presupuesto federal de Alemania. En nuestra revisión, describimos que en los órdenes legales considerados se aplican principios y criterios similares de igualación entre presupuestos, cuya elección depende de las peculiaridades nacionales, la política financiera, los objetivos perseguidos por el legislador y la especificidad de la estructura territorial del país. Observamos que la Federación Rusa se caracteriza por una federación asimétrica, que genera un desequilibrio en la provisión financiera de las entidades constituyentes. Propusimos llevar a cabo la igualación presupuestaria de las entidades constitutivas de la Federación de Rusia mediante el impuesto al valor agregado e implementar los principios de solidaridad y asistencia mutua de las entidades constituyentes con igualación horizontal.

Palabras clave: federalismo presupuestario, relaciones interpresupuestarias, igualación presupuestaria de los sujetos de la Federación de Rusia, federalismo asimétrico.

¹ PhD, Associate Professor, Department of Constitutional and International Law, Altai State University, Russian Federation.

² PhD, Associate Professor, Head of the Department of Constitutional and International Law, Altai State University, Russian Federation.

³ PhD, Associate Professor, Department of Constitutional and International Law, Altai State University, Russian Federation

⁴ Assistant professor, Department of Constitutional and International Law, Altai State University, Russian Federation.

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INTRODUCTION

Inter-budgetary relations are an integral part of, or an element of, a complex legal relationship involving complex, multi-sectoral relations. The closest inter-sectoral relations and interaction of budget and legal norms with constitutional norms, principles and values. Inter-budgetary relations are an important aspect and, at the same time, an indicator of relations between Russia and the constituent entities of the Russian Federation. Their appointment as one of the most striking forms of manifestation of the principle of budgetary federalism, overcoming the emerging imbalances and disagreements between public-law entities of different levels in the interests of legal, financial and political stability. They show to what extent the constitutional norms, which fix the basis of the legal status of the subjects of the Russian Federation, personality, person, principles (especially the equality of the subjects of the Russian Federation, equality of citizens and social state) have an appropriate mechanism of legal regulation and implementation. These relations have a significant impact on various areas of life. The budget, as well as public finances in general, performs various functions. Sometimes the political function dominates to the detriment of others, including the redistributive function, the purpose of which is to ensure social justice and economic growth. It is necessary to search for a reasonable balance in taking into account the interests of various public-law entities. At present, the priority of the interests of the Russian Federation or federal authorities prevails in the public sector. This is especially evident in the legal regulation of the distribution of revenue sources between the levels of the budget system with the centralization of high-yielding sources in the federal budget and the dominance of expenditure commitments at the regional level in the subjects of joint jurisdiction of the Russian Federation and the constituent entities of the Russian Federation. The reform of interbudgetary relations both in 2004 and in the subsequent years was inconsistent and insufficient for radical changes, since the fundamental issue of budgetary federalism and interbudgetary relations on the balance of interests of the Russian Federation and its constituent entities and the proportionality of spending powers to the revenues was not resolved by the budget legislation. Time and the Constitution of the Russian Federation itself, proclaiming our state as a social and legal one, predetermine the vector of transformations in inter-budgetary relations in favor of creating mechanisms for the full implementation of constitutional principles and social rights and guarantees of citizens.

DEVELOPMENT

Materials and methods

The object of research in the present article is a set of public relations, formed in connection with the distribution of budgetary powers between the subjects of the Russian Federation and the federal center. The subject of the study are legal norms that fix and regulate the principle of budgetary federalism and inter-budgetary relations.

The basis for the study were the provisions of the Constitution of the Russian Federation, the budget legislation of the Russian Federation and the existing foreign experience of regulation of intergovernmental fiscal relations.

A set of complementary research methods was used to conduct the research: systemic, comparative legal, formal legal and analogous. Their application allowed to consider the object of research in a holistic and comprehensive manner.

Results and discussion

Eloquent indicators of both the overall state of the budget system of the Russian Federation in the modern period, and the implementation of the principles enshrined in the Constitution of the Russian Federation and the Budget Code of the Russian Federation, are the data on the volume of income of public-law entities in the consolidated budget of the Russian Federation, where federal budget revenues dominate (for comparison, the distinctive feature of Canadian federalism is the excess of the revenue base of the subjects of the federation over the income of the federation) (Pimenov, 2011). Researchers, including foreign ones, analyze not only various aspects of the implementation of fiscal federalism in Canada, but also the peculiarities of budget equalization in this country (Lecours, Béland, 2010). The mechanism of redistribution of public finances through interbudgetary transfers is conditioned along with other factors and excessive differentiation of the financial potential of the RF subjects. About half of all revenues of the consolidated budgets of the constituent territories of the Russian Federation are the revenues of 10-15 self-sufficient constituent territories of the Russian Federation. The existing imbalances in the development of the constituent territories of the Russian Federation are partly due to interbudgetary transfers. The imbalance of the national budget system is named as one of the main threats to national security in the Strategy for National Security of the Russian Federation until 2020 (Decree, 2015).

The asymmetry of the federation that existed in Russia during the Soviet period has preserved many features and trends in modern Russia (Medushevsky, 2017). It has a bright continuation and legal entrenchment in the budget legislation. The existing ranking of the constituent entities of the Russian Federation is now most fully manifested in the public sector. Thus, Article 130 of the Budget Code of the Russian Federation divides the recipients of interbudgetary transfers from the federal budget into several groups depending on the share of grants for equalization of the budget capacity of the constituent territories of the Russian Federation in the volume of own revenues of the consolidated budget of the constituent territory of the Russian Federation. Fiscal capacity of public-law entities is a universal criterion for assessing its socio-economic status and development. Improvement of the legal regulation of the financial aspect of the principle of federalism is one of the ways to search for ways to achieve public unity and the creation of optimal (appropriate) conditions for the implementation of human rights and universal values.

The modern construction of both in general federal relations in Russia and their component - inter-budgetary relations - is based on the idea of concentration of public property and power in the federal center (Medushevsky,

2012). The principle of solidarity in inter-budgetary relations, which is most clearly manifested in such a form of inter-budgetary transfers as subsidies practically means priority or dominance of federal power. It should be noted that the strengthening of federal centralized beginnings with a noticeable expansion of the powers of federal-level government bodies is a general trend for most states in the second half of the twentieth century (Saunders, 1995; Filippov, Shvetsova, 2013). Legal regulation of intergovernmental fiscal relations does not fully take into account the economic and historical specifics of the development of the constituent territories of the Russian Federation, including those related to the number of municipal entities and their financial self-sufficiency.

For example, the Altai Territory has only 719 municipalities: 59 municipal districts, 10 urban districts, 650 settlements, of which 7 urban settlements and 643 rural settlements (Official, 2019). These circumstances do not provide a balance of conflicting social interests, but create wide opportunities to control the budgetary activities of the subjects of the Russian Federation and municipal entities.

The asymmetry of the existing model of federalism in the public sector is manifested not only in excessive differentiation in terms of revenues of regional budgets, but also in the peculiarities of financial provision of constitutionally significant rights of citizens. Thus, for example, the budget revenues of Moscow for 2019 amount to 2463534 million rubles, the Rostov Region - 178870 million rubles, the Perm Territory - 133478 million rubles, the Republic of Sakha (Yakutia) - 203849 million rubles, the Altai Territory - 100642 million rubles (Official, 2017). One of the ways to overcome the negative consequences of asymmetry is the evolution of budgetary federalism with the revision of priorities and prerogatives of federal power. The existing mechanism of interbudgetary transfers does not take into account the current real conditions to the proper extent, as it is formed in accordance with the political factors of the end of the last century and the beginning of a new one, when it was necessary to restrain the deconstructive centrifugal tendencies of some subjects of the Russian Federation.

The existing problems in the practice of implementation of budgetary and constitutional legal norms confirm the expediency of reforms and improvement of the mechanism of legal regulation of budgetary and related relations. This is necessary for political and social stability. Budgetary activity and the state of its legal regulation affects not only public legal entities and their authorities, but also citizens. Improvement of inter-budgetary relations in the context of strengthening the decentralized beginnings of budgetary federalism belongs to the category of politically significant decisions.

A high level of efficiency of inter-budgetary relations is possible only on the basis of the principle of budgetary federalism, which reflects the main content and nature of relations between the Russian Federation and its subjects, but it is not fixed normatively and does not yet have a solid theoretical basis in its constitutional and legal sense, although some aspects of this principle are studied by scientists (Kononova et al., 2015; Mirzoev, 2016). Fiscal federalism is not an abstract category, but a category of practical importance, as it reflects the peculiarities of relations between the state and its citizens from the point of view of organizing an optimal and fair distribution of public finances. It is a vivid manifestation of universal human interests. Russia will have to find its own variants of filling the substantive aspect of budgetary federalism. In this perspective, it is important to clearly define the legal and other criteria to be measured, that is, they are the starting points for the budgetary equalization of the subjects of the Russian Federation and municipal entities. The mechanism and methodology of budget equalization established by the budget legislation do not provide for real equalization and do not eliminate the existing excessive disproportions in the budget capacity of public-law entities.

As a result, not only the rights of public legal entities themselves, but also the rights of citizens living in the respective territory are realized to varying degrees. The asymmetry of the federation in Russia has not only organizational character, but also economic and financial aspect.

In order to attempt to balance the interests of the Russian Federation and its subjects and to develop a universal approach to the problem, it seems reasonable to turn to foreign experience, in particular, to the legal structures of the theory of "cooperative" federalism. According to a number of Western authors, common in the doctrine of "classical" and "cooperative" federalism is that the authorities of the union and its members should not be subordinate to each other (Kelkar, 2019). At the same time, if the theory of "dualistic" federalism recognized only the relations of independence and parallel competences, the theory of "cooperative" federalism demands coordination of relations and competences, excluding subordination (Commentary, 2013; Krylov et al., 1995; Formation, 2014; Handbuch, 1977). "Cooperative" federalism, in the end, serves as an organizational and technical rationalization of the state structure, in which coordination should openly preserve the middle path between centralist unification and regional independence (Wewer, 1993; von Beyme, 1999).

Analysis of the constitutional and budgetary legislation of different states shows different variants of legal regulation of intergovernmental fiscal relations (Wallace, 1999). In states with established political and economic relations, for example, in Germany, a significant part of the foundations of intergovernmental fiscal relations is regulated in the Basic Law. In these states, as a rule, the subjects of the federation do not have such essential differences as in the constitutional-legal plan, and in terms of financial self-sufficiency, as it is typical for the Russian reality. More detailed regulation with details of various aspects of intergovernmental fiscal relations is carried out in special financial legislation (Grinchinko, 2017).

In Russia, in contrast to a number of foreign countries, the current Constitution of the Russian Federation does not contain a special section or chapter devoted to the regulation of budgetary relations. It regulates inter-budgetary

relations within the framework of consolidation of the fundamentals of fundamental spheres and relations, including the principles of federalism, publicity, equality of subjects of the Russian Federation, unity of financial and budgetary policy, subjects of competence, priority of executive power in the budgetary sphere. Constitutional and legal norms in the Russian Federation do not regulate the financial aspect of the separation of powers between the levels of public power. This issue was regulated in 2003 by a new chapter IV.1 of the Federal Law “On General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation”, which defines the general principles of separation of powers between federal bodies of state power and bodies of state power of the Constituent Entities of the Russian Federation (Federal, 2017).

The same law establishes the basis for the budget and legal status of the constituent territories of the Russian Federation, the solution of issues related to the budgetary security of the constituent territories of the Russian Federation, sources of financing of expenditure obligations arising in the course of the execution of the powers of the Russian Federation delegated to the public authorities of the constituent territories of the Russian Federation, the peculiarities of delimitation of revenue powers in the complex structure of the constituent territories of the Russian Federation, the procedure of financing through subventions, etc.

The largest volume of legal norms regulating intergovernmental fiscal relations is contained in the Budget Code of the Russian Federation (hereinafter - the BC RF), which, despite many positive aspects, is not characterized by a high level of legal regulation of budgetary relations, both from the standpoint of legal techniques and theoretical and substantive depth of some provisions. At the same time, it should be noted that the current version of the Budget Code of the Russian Federation regulates interbudgetary relations taking into account the priorities of the federation, objective reality and financial policy of the state at a higher level than before 2007.

From the point of view of the constitutional consolidation of the foundations of budgetary federalism, the experience of Germany, where the main idea of the Basic Law of Germany is the desire to ensure sufficient financing of the lands to guarantee their budgetary independence, is significant (Paragraph 1, Art. 109 of the Basic Law). In Germany, thanks to the longer period of existence of the federation and the successful experience of stable legal regulation not only of the state structure but also of financial issues in the Basic Law of the State, the mentality of inter-budgetary relations between the Federation and its subjects is different from that of Russia. Both in legislation and in practice, there is a clear desire to create conditions for the independence and independence of land from the Federation. The mechanisms for restricting the joint financing of projects are aimed at this, as well as the establishment of clear conditions for the provision of financial assistance to the land by the Federation in the Constitution (Art. 104b).

The current German federal legislation, such as the Stability and Growth Support Act (StabG), which contains the concept of general economic equilibrium, has a positive impact on intergovernmental fiscal relations (§ 1). It is understood as a stable price level, a high level of employment, external economic equilibrium, and constant and sufficient economic growth (Blankenagel, 2015). In Germany, the principle of mutual responsibility of the federal subjects for each other is enshrined, however, it is considered difficult to ensure the existence of really contradictory principles: on the one hand, the state independence and own responsibility of the lands, on the other hand - the principle of mutual responsibility of the lands for each other (Blankenagel, 2015).

The model of legal regulation of the distribution of expenditure powers between the levels of public power in Russia differs significantly from the German one, as it provides for different variants of mixed financing, additional expenditure obligations and peculiarities of financing of undistributed powers by the subjects of the Russian Federation and municipal entities (Sheveleva, 2015).

The comparative legal method of research allows us to see a variety of possible ways of development of both the states as a whole and mechanisms of legal regulation of various types of public relations. The diversity also testifies to the uniqueness of each individual state and provides an opportunity to borrow someone's positive experience. Using the experience of other states gives a positive result, provided that their national characteristics and other objective factors are taken into account. For example, Russia borrowed a model of horizontal budget equalization, which is used at the level of lands, i.e. subjects of the federation in Germany, and according to the Russian legislation some elements of it began to be applied at the municipal level, where many positive aspects of this model have no objective economic grounds for their manifestation.

Implementation of the principle of federalism in the public sphere in the Russian Federation has common features with Germany and is characterized by the presence of significant or, as German scientists claim, excessive federal powers in the field of subject matter and fiscal competences (Blankenagel, 2015). In Germany, this is enshrined in the Basic Law of the State, and in Russia - in the current constitutional and budgetary legislation. The difference between Russia and Germany is a wider assignment of subject powers to the constituent entities of the Russian Federation and a tendency to increase them almost every year. Thus, the majority of regional budgets in the Russian Federation are characterized by unbalanced and overburdened expenditure commitments, a significant part of which relates to the subjects of joint jurisdiction of Russia and its subjects.

Objectives of improvement of inter-budgetary relations and financial and legal status of public-law entities:

1. Elimination of existing problems, among which there is a constant lack of funds for the adequate financing of all expenditure obligations of the subjects of the Russian Federation and a large part of the public debt of the subjects

of the Russian Federation (Guseva, 2017).

2. Clarification or change of profitable powers on the basis of economic justification and the list of own revenues, providing a decent level of financing of obligations imposed on the subjects of the Russian Federation. Stable bases of regional budget revenues formation existing since 2004 do not provide a harmonious balance between revenue and expenditure powers. The issues of ensuring budgetary self-sufficiency of the RF subjects have been repeatedly raised in the legal literature (Bachurin, 2016). Distribution of powers between the levels of public power in the field of income, in particular tax, is not easy not only for Russia, but also for foreign countries (Janeba, Wilson, 2011).

Providing general standards of public services and maintaining a certain level of budgetary security of various public legal entities.

Legal regulation of intergovernmental fiscal relations is characterized by contradictory and ambiguous trends. On the one hand, especially in the comparative-historical perspective, it is characterized by certainty and relative stability, and on the other hand - by flawedness, which is manifested in the formal establishment of uniform principles and standards of the budget system and methods of distribution of interbudgetary transfers, which in practice are not fully respected or are violated on a legal basis. The Budget Code of the Russian Federation contains a sufficient number of legal norms providing such an opportunity to the federal executive authorities.

The next trend is related to the peculiarities of the distribution of public functions by subjects of joint management in the public sector. As already noted, the norms of the Constitution of the Russian Federation do not regulate the financial aspect of the division of powers between the levels of public authority. The most difficult, both in legal and economic terms, was the delimitation of expenditure commitments on the subjects of joint jurisdiction of the Russian Federation and the constituent territories of the Russian Federation.

Positive changes occurred after the appearance in 2003 of a new version of the Federal Law "On General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation". The analysis of the new chapter IV.1. of the given law taking into account the dynamics of the changes introduced into it testifies to the tendency of a significant expansion of the volume of expenditure obligations of the subjects of the Russian Federation in recent years (see art. 26.3 184-FZ in the dynamics), a significant part of which has a social character and many subjects of the Russian Federation cannot be financed at the level of a worthy social state (Federal, 2017). The continued relevance of the distribution of expenditure commitments between public-law entities is evidenced by the large number of budget disputes considered in recent years in the Constitutional Court of the Russian Federation. The subject of the appeal was the issues of belonging of the expenditure obligation to this or that public-legal education (Sheveleva, 2018).

Currently, there are changes in the priorities of the budgetary policy of states with the preservation of centralization as a mechanism to ensure a higher quality of public finance management and the dominance of the vector of financial control over the targeted use of budgetary funds, but the emphasis is shifting from the priority fiscal interests to universal, constitutionally significant values and increasing the level of solidarity. Deferralisation will contribute to a more balanced and rational distribution of public finances. Changes in the priorities of fiscal policy have an impact on decentralization processes in foreign countries (Blöchliger, Kim, 2016).

To ensure the principle of equality of the subjects of the Russian Federation, the general economic and social equilibrium in the country, the alignment of economic differences in the territory of the Russian Federation and the consolidation of decent ways of financial security of the subjects of the Russian Federation and municipal entities, it is necessary to change the legal regulation of intergovernmental fiscal relations (Chapter 16 of the Budget Code of the Russian Federation).

The existing system of budget equalization (Art. 131 of the Budget Code of the Russian Federation) has a formal nature and does not fully meet the fundamental interests of individuals and society. Application of a single method of calculation to economically and socially different territories for granting subsidies does not achieve the goals of budget equalization. There is a need for a methodology that has a real impact on the level and correlation of public and municipal services provided and guarantees the financial capacity of the constituent entities of the Russian Federation to implement the principle of equality of citizens regardless of their place of residence.

In order to smooth out the socio-economic imbalance in the development of the constituent entities of the Russian Federation and the fair and rational distribution of public finances, it is advisable to distribute income between the Russian Federation (federal budget) and the constituent entities of the Russian Federation on the principles similar to those enshrined in the Basic Law of Germany (see articles 106-107) (Blankenagel, 2015). These fundamental principles for the federation are called "the principle of harmonization", "the principle of subsidiarity" and "the principle of solidarity" (Constitutions, 1997):

- 1) Within the limits of current income, the Federation and its subjects have an equal right to cover the necessary expenses;
- 2) the needs of the Federation and its subjects in covering expenses shall be coordinated in such a way as to achieve their economic equalization, avoid overloading of taxpayers and ensure a uniform standard of living on

the territory of the Federation;

3) The federal legislator shall guarantee equalization of the differences in financial potentials of the subjects of the federation, taking into account the financial capabilities and needs of municipalities.

In order to sufficiently compensate for inequalities in the economic potential of the constituent territories of the Russian Federation and to use the equalizing function in respect of heterogeneous constituent territories of the Russian Federation, it is possible to use two options known in the world budget practice:

1. Budget equalization of the constituent territories of the Russian Federation by means of VAT. Value added tax is used as a corrective mechanism in case of insufficiency of own tax revenues. The share of income from it is determined in proportion to the population of the constituent territory of the Russian Federation. For those constituent entities of the Russian Federation, where income from own taxes is lower for each resident than the average income in the country, the share of increased income from VAT is provided.
2. Horizontal equalization at the level of constituent entities of the Russian Federation. It will show the effect of the principle of solidarity and mutual assistance of the constituent entities of the Federation to each other. Subsidies should be used as the last level in the budget equalization.

These proposals are based on the natural desire to achieve decent financing of the constituent territories of the Russian Federation in order to guarantee their budgetary independence. Through these options for improving the legal regulation of intergovernmental fiscal relations, several goals will be achieved:

1. Improving the efficiency of public finance management.
2. Elimination of excessive disproportions in the financial potential of the constituent entities of the Russian Federation.
3. Creation of conditions for the real implementation of the principles of independence and equality of the constituent territories of the Russian Federation in the public sector.
4. Ensuring the budget balance of interests of all consumers of state and municipal services.
5. Creating conditions for the implementation of many of the expenditure obligations of a social nature imposed on the constituent entities of the Russian Federation.

A special stage and a new concept of development of intergovernmental fiscal relations are associated with the Decree of the President of the Russian Federation of January 16, 2017 13 “On Approval of the Fundamentals of State Policy of Regional Development of the Russian Federation for the period up to 2025”, which defines the principles, objectives, priorities and mechanisms of implementation of the state policy of regional development of the Russian Federation (Evdokimov, 2007; Waldhoff, 2015; Blankenagel, 2015). Its implementation involves changes in the legal regulation of budgetary relations on the basis of the development and implementation of a new holistic model of budgetary federalism, taking into account the specifics of different types of subjects of the Russian Federation. Many positive transformations in the legal regulation of inter-budgetary relations that have occurred since the adoption of the Budget Code of the Russian Federation have not been able to ensure an optimal balance of interests of the Russian Federation and its constituent entities, to eliminate significant differences both in the level of socio-economic development of the constituent entities of the Russian Federation, where the differentiation in terms of regional budget revenues is 43 times, and in the average per capita income of the population - a difference of 5.5 times.

Back to the Presidential Decree of December 1, 2016 642 “On the Strategy of Scientific and Technological Development of the Russian Federation” among the strategic guidelines was determined the need to overcome imbalances in the socio-economic development of the territories (Decree, 2017).

In the Decree of the President of the Russian Federation of January 16, 2017 among the principles of the state policy of regional development are named: a differentiated approach to the implementation of measures of state support for regions and municipalities depending on their socio-economic and geographical characteristics in order to reduce differences in the level and quality of life of citizens of the Russian Federation and the level of socio-economic development of the subjects of the Russian Federation. The main objective of the regional development policy is to ensure equal opportunities for the realization of economic, political and social rights of citizens of the Russian Federation throughout the country, as enshrined in the Constitution of the Russian Federation and federal laws.

Departing from the principle of equality, we proposed to compensate at the expense of the federal budget the missing funds to the average Russian level of income of the subjects of the Russian Federation. It is necessary to carry out an inventory of expenditure powers with the definition of priority expenditure obligations of the subjects of the Russian Federation, which implies co-financing from the constituent territories of the Russian Federation requires a serious legal substantiation, since, in fact, it implies the introduction of different budget regimes.

CONCLUSIONS

Worthy decisions of the question under study can be made based on the legal position of the Constitutional Court of the Russian Federation, which formulated the basic principles, principles and requirements for the legal regulation of financial activities, including the budget and public law entities.

For the effective financial and economic development of each public-law entity, taking into account the objective realities of natural-climatic, industrial, infrastructural and other nature, it is necessary to use a general approach, which is reflected in the Resolution of the Constitutional Court of the Russian Federation (Decree, 2016); in this sense the Russian Federation, represented by federal state authorities, is responsible for ensuring development and security on the territory of all the constituent entities of the Russian Federation, taking measures to facilitate the resolution of their publicly significant problems by the constituent entities of the Russian Federation, including taking into account the regional specifics of each of them (Resolution, 2014).

Legal regulation of inter-budgetary relations on the basis of the principle of unity of the budget system should ensure constitutional equality and financial equalization in order to create conditions to meet the vital needs of citizens regardless of their place of residence (Bondar, 2018).

It seems that the improvement of inter-budgetary relations should be carried out in the following directions:

1. For the purpose of optimal and reasonable balancing of federal and regional interests and efficiency of public functions, it is necessary to redistribute expenditures on the subjects of joint management of the Russian Federation and its subjects in order to reduce the excessive burden of expenditure obligations of the constituent territories of the Russian Federation and overburden them with public functions and tasks, or to introduce amendments to the legislation that significantly increase the revenue base of regional budgets, sufficient for their financing. Expenditure obligations of the constituent entities of the Russian Federation should be financially commensurate with their powers in the sphere of revenues. This will contribute to the balance of regional budgets and financial stability of the constituent territories of the Russian Federation.

2. Vertical and horizontal imbalances should be smoothed out by fair redistribution of public finances through transfers and other financial and legal mechanisms (e.g., as in Germany, using value added tax for this purpose) in order to achieve certain standards.

In this respect, the experience of Canada is positive, where federal transfer federalism is based on the implementation of specific social programs, in addition to the leveling of fiscal capacity of the constituent entities of the federation. Funds within the framework of the Canadian Social Transfer and the Canadian Health Transfer are directed to the subjects in the amount calculated on a per capita basis to guarantee a uniform quality of services to all Canadians regardless of their place of residence (Saunders, 1995; Janeba, Wilson, 2011).

This proposal is relevant in terms of the implementation of the main directions of financial policy formulated in the President's Address to the Federal Assembly of 20.02.2019 "Message of the President to the Federal Assembly", including the national projects, the results of which should be visible in each constituent entity of the Federation, in each municipality (The message, 2019). In the same document, the President of the Russian Federation stressed that the country has enormous financial resources for the well-being of Russia and Russian families.

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