Territorial organisation and subnational government responsibilities

Most of the legal principles governing SNGs can be found in the 1993 Constitution which guarantees the principle of self-government (article 12). The Russian Federation is divided into 83 regions (“subjects of the Federation”) with various degrees of autonomy. They include 21 republics, 46 provinces (oblasts), 1 autonomous oblast, 9 “territories” (krajs), 4 autonomous districts (avtonomny okrugs), and 2 cities with federal status (Moscow and St. Petersburg). Direct election of governors has been re-established in 2012, after being abolished on 2005. A municipal reform was carried out between 2003 and 2005, resulting in an increase of the number of municipalities from around 12,000 to more than 20,000 today. Each region has either one or two tiers of local governments. In regions with two local government levels, the upper level is made up of 1,788 municipal districts and 563 cities and the lower level comprises 1,592 urban and 18 rural settlements as well as also 19 intra-city districts and 267 intra-city territory in cities of federal importance. Since 2000, there is also a federal administration at territorial level composed of 8 federal districts, run by an appointed presidential envoy, for the purpose of overseeing regional governments.

Main subnational governments responsibilities. The federal Constitution and the 2003 Federal Law 131-FZ on the General Principles of Local Self-Government determines the main areas falling within the jurisdiction of the Federation, the regions (regional transport) and shared competences (minority rights, environment, health, education, science, culture, labour law, social security, family law, and natural disasters). Regarding local government management is concerned, regions may adopt their own legislation on local self-government provided that it is compatible with federal legislation. Local authorities are empowered to carry out all public services of local interest i.e. education (pre-school, primary, general and vocational education), public health (primary care facilities), public order and safety, land use planning, social protection and employment, local economic development, environmental protection, utilities (local energy, waste), local roads and public transport, culture and recreation (sport facilities). Some tasks are increasingly shared with the federation and the regions.

SUBNATIONAL GOVERNMENT FINANCE

The SNG share in GDP and public spending is high, well above numerous federations in the world, including OECD federations for which spending ratios accounted for 19.2% of GDP and 49.1% of public spending in 2013. However, Russia remains a centralised country as SNG expenditure autonomy is weak: many spending obligations are planned and imposed centrally, the regions being paying agents on behalf of the federal government. SNGs are key employers, representing more than half of public staff spending, a level which is, however, below the OECD average for federations (76.1%). The role of SNGs in public investment is relatively low compared to other federations.
The primary area of SNG spending is general public services, followed by education, economic affairs/transport, social protection and health. A majority of expenditure is made by the regions (63%) for which, the primary areas of spending after general public services are education (15%), economic affairs/transport (13%) and social protection and health (12% each). For the municipalities, education is by far the most significant spending area (after general services) representing one-quarter of local expenditure, followed by housing and community amenities. 62% of SNG investment is carried out by municipalities.

The shares of user charges and fees and property income (sales, rents, dividends) in SNG revenue are relatively small, compared to international other revenues. Other financial support to municipalities. Since the late 2000s, there has been a decline of block equalisation transfers. Earmarked grants have increased to “balancing grants” aimed at reducing regional budget deficits. Transfers also include those from regions to municipalities, including equalisation subsidies and service delivery costs.

Major intergovernmental fiscal reforms took place at the end of the 1990s and in the early 2000s aimed at clarifying revenue and expenditure assignments, to eliminate unfunded mandates and review the way federal transfers are allocated, by establishing equalisation formula-based systems. However, SNGs have a limited revenue autonomy and are increasingly dependent on federal (or regional) transfers.

**Grant and Subsidies**: Successive reforms of the intergovernmental fiscal framework took place to finance federal mandated SNG spending and to reduce high regional disparities (of 83 regions, 10 produce more than 55% of Russia’s GDP while they represent only one-third of the national population). Grants can be divided into three categories: 1) Non-conditional equalisation transfers which are formula-based. Forming the Federal Fund for Financial Support of the Regions, they aim at providing the basic level of public services across the nation. Allocation criteria are based on the assessment of revenue capacities and public service delivery costs. 2) Earmarked grants allocated by federal entities. They include unconditional earmarked grants to finance federally-mandated spending and earmarked matching grants to stimulate specific regional expenditure or investments. 3) And compensation payments and other transfers which include “balancing grants” aimed at reducing regional budget deficits. Transfers also include those from regions to municipalities, including equalisation subsidies and other financial support to municipalities. Since the late 2000s, there has been a decline of block equalisation transfers. Earmarked grants have increased to account for more than a half of all transfers in recent years, counteracting the effects of equalisation and reducing regional expenditure autonomy.

**Other Revenues**: The shares of user charges and fees and property income (sales, rents, dividends) in SNG revenue are relatively small, compared to international standards (5.7% and 0.8%). The rest is made up Fines, penalties, and forfeits.

Sources: