

# Advancement of Instrumentation of Balanced Social and Economic Development Through Systemization of Combined State Support and Regional Funds

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**Abstract.** The existing model of territorial administration in Russia is based on the redistribution of income in a benefit of the federal government, and then financial support is provided to the regional administrations using various tools. Thus, with the withdrawal of most of the income from the regions into federal funds, the government made most constituent territories of the Russian Federation “subsidized”. With that knowledge in mind, a set of proposals has been developed regarding the principles of analysis and methods for assessing the competitiveness of the economies of the constituent entities of the Russian Federation, as well as on specific directions of increasing the competitive capabilities of various regions. It is important to create the system for development and implementation of regional development strategies with systematized state support measures and assistance from regional authorities (funding, co-funding, guarantees, consulting, and assistance in documents preparation).

## 1. Introduction

A system is an entity comprised of different elements and subsystems, and system development should be complex and comprehensive. It holds true for any system particularly for complex social and economic systems. Nowadays, Russia is the system characterized by significant imbalance in social and economic development of constituent territories of the Russian Federation; however there are more significant imbalances within these territories where some elements show upward trends and other elements show negative trends or overcooling.

## 2. Actual continuity

Both regulations and almost all research findings state the necessity for sustainable development. Order of the Government of the Russian Federation d/d 17.11.2008 No. 1662-r states the sustainable spatial development as one of target points [1].

The sustainable development implicates even development of all constituent territories of Russia (nowadays, there is significant development gap between constituent territories of the Russian Federation) [2], balanced regional development which is even development of social and economic sectors which are interconnected and crucial for region survival. However there are long-term imbalances sometimes resulting in region degradation due to significant domination of any sector (domination of social sector turns the region into subsidized region, domination of economic sector leads to underdeveloped social sector [3]).

It should be noted that short-term significant dominance of one sector is acceptable, but mid-term and long-term consequences should be studied. According to Constitution of the Russian Federation, Russia is social country under an obligation to create decent living conditions, i. e. social targets are dominant [4]. However, social targets can't be reached without sufficient material resources (unless there is an external support, e. g. subsidies), and appropriate economic development is required resulting in sustainability.

### **3. Literature review**

Almost all researchers note the necessity of balanced development, and some researchers refer to it as sustainable development ("balanced development" and "sustainable development" both use evenness principle). Some authors [5] note that balanced social and economic development of territories and regions under dynamic structured organized transformations is actual and complex problem which requires effective evaluation tools for feasibility, effectiveness and risks as well as appropriate planning and regulation tools including indicative management tools. S.G. Svetunkov et al. note that actual issue is comparative analysis of social and economic statuses in order to timely make decisions about any support for regions [6]. Some authors attribute inefficiency of market relations without high-level interventions to environment complications and other authors attribute it to disproportions in distribution [7].

In order to determine social and economic regional development level, researchers use indicators from both regulations [8] and scientific papers [9, 10].

### **4. Problem definition**

The existing model of territorial administration in Russia is based on the redistribution of income in a benefit of the federal government, and then financial support is provided to the regional administrations using various tools. Thus, with the withdrawal of most of the income from the regions into federal funds, the government made most constituent territories of the Russian Federation "subsidized".

Russian researchers [11] state the importance of resource exchange system and, more generally, interaction of regional systems and subsystems with various-level systems where external factors can impact the regional system both positively and negatively.

The EU regional policy was oriented to equalization of territories for a long time. Nowadays, some European countries proceeded to development of competitive advantage of each region, i.e. efficient utilization of endogenous factors (some authors refer to it as "new paradigm" of regional development).

In this regard, the Council for the Study of Productive Forces of the Institute for System Analysis of the Russian Academy of Sciences developed a set of proposals on the principles of analysis and methods for assessing the competitiveness of the economies of the constituent entities of the Russian Federation, as well as on specific directions of increasing the competitive capabilities of various regions [12].

The Decree of the President of the Russian Federation dated January 16, 2017 No. 13 noted that it is necessary to solve the problem of encouraging constituent entities of the Russian Federation to build up their own economic potential while increasing the autonomy of state authorities of the constituent entities of the Russian Federation in choosing ways to achieve their goals when using targeted inter-budget transfers [13]. Order of the Government of the Russian Federation d/d April 19, 2018 No. 472 states that 40 most effective constituent entities of the Russian Federation will be awarded with grants [14].

Thus, it is important to develop an algorithm for making managerial decisions regarding use of a particular incentive tool for the implementation of a system policy of regional development.

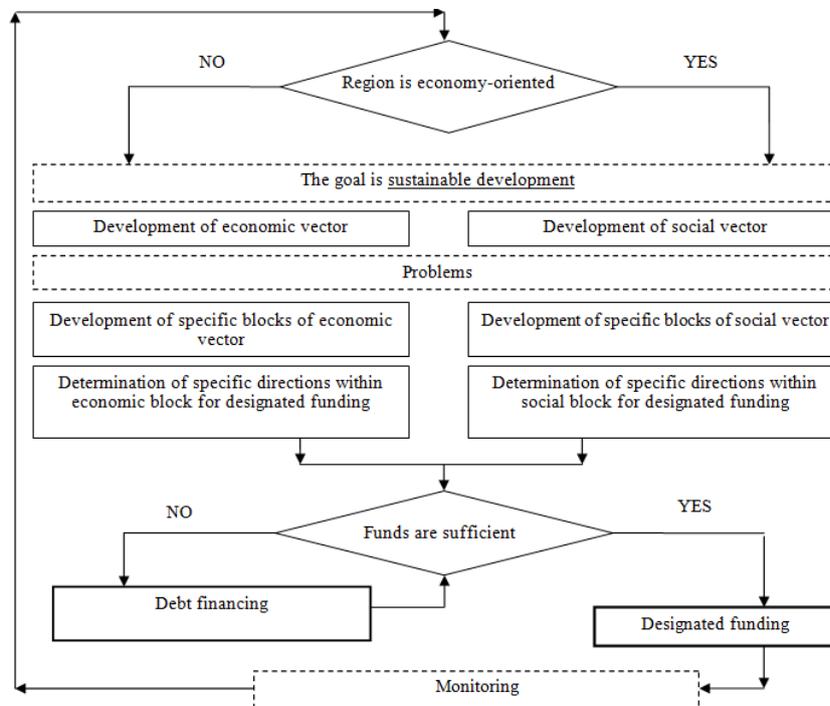
Major measures of state support for regions, industries and specific economic agents in Russia	
Financial	Managerial (administrative)
Subsidies for fiscal capacity of constituent territories	Special-legal-status areas
Subsidies into budgets of constituent territories	Limitation of state procurement of foreign products
Subventions into budgets of constituent territories	Liberalization of fiscal law
Other inter-budgetary transfers	Liberalization of depreciation law
State programs	State guarantees

**Figure 1.** Major measures of state support for regions, industries and specific economic agents in Russia.

**5. Theoretic provisions**

Allocation of funds from the federal budget and other financial assistance can be attributed to financial support measures. Also, there are indirect support, such as creation of special-legal-status territories (SEZ, ADZ), which is marked as “managerial” support in Figure 1, because it depends on management decisions and can have significant social and economic effects [15, 16]. Some authors [17] proposed to create regional stabilization funds through cooperation with regional financial and industrial organizations and direct support from the administration of the constituent entity.

Since July 1, 2019, there is relatively new regional development tool, i. e. free custom zone stock, which is legalized in the Customs Code of the EAEU [18] and Russian law [19] (this tool is valid for importers/exporters).



**Figure 2.** Funding algorithm for sustainable development.

As a result, by defining the vector of regional development, directions are revealed that require managerial stimulation by the authorities in order to create conditions for balance (this process is

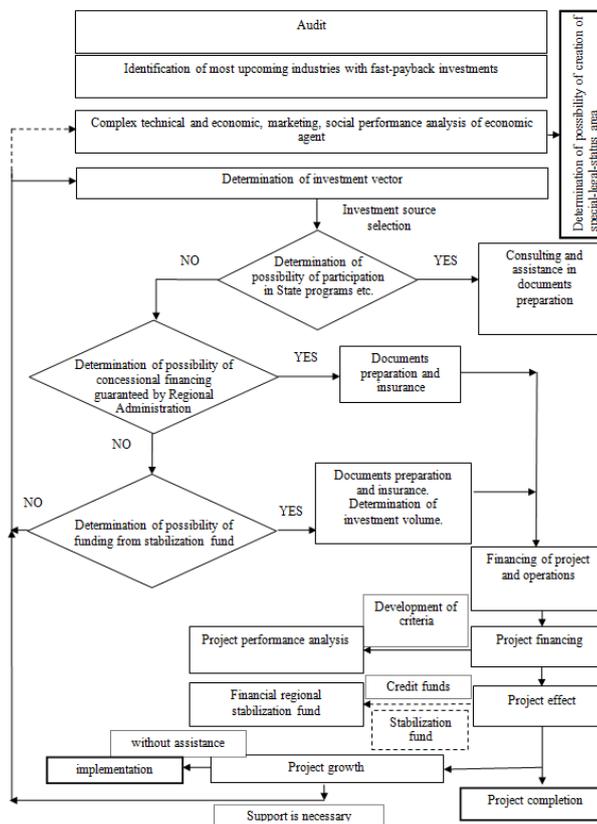
summarized as Figure 2). There is an example [20] of calculating the coefficients of development of social and economic sectors of Kursk region. There are also other methods [21].

**6. Study results**

Ultimately, one of the tasks of the executive authorities of the region should be to develop a comprehensive plan for the development of the territory with the formation of a system of sources for financing transformations (i.e., a kind of road map (action plan)). This algorithm is presented in the Figure 3.

The first stage assumes an audit of social and economic system (including determination of development indicators) followed with determination of sectors and areas for support and stimulation, then comprehensive examination.

At the next stage, the investment vector is determined (depending on the region development trends (Figure 2)) and the source of funding is selected based on the “from high to low” principle.



**Figure 3.** Model of decision optimization for regional investment funding source system formation.

**7. Conclusion**

In the context of various support tools for constituent territories of the Russian Federation and specific economic agents, it is important to create the system for development and implementation of regional development strategies with systematized state support measures and assistance from regional authorities (funding, co-funding, guarantees, consulting, and assistance in documents preparation).

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