
The impact of economic crisis on regional finance in the Russian Federation

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Main goals

- the analysis of key regional finance indicators in the period of economic decline
 - the comparison of socio-economic indicators' dynamics with regional budget trends
 - identification of socio-economic and financial transformations in regional dimension
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The main parameters (2008)

- the total amount of regional and local budgets was 210,9 billion \$ (regions – 84%, municipalities – 16%)
- the total amount of federal grants to lower tiers – 38,6 billion \$ (1.7% of GDP, purchasing power parity)
- federal grants was 18% of region and local budgets' revenues
- the extent of federal support varies very much among regions because of differences in fiscal capacity, living costs, informal relationships between regional administrations and federal center

The structure of intergovernmental system

Federal level

Federal budget



Regional level

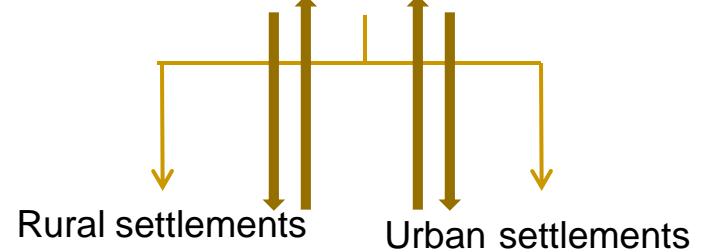
83 regions – oblast, krai, republic, capital cities, autonomous okrug, autonomous oblast



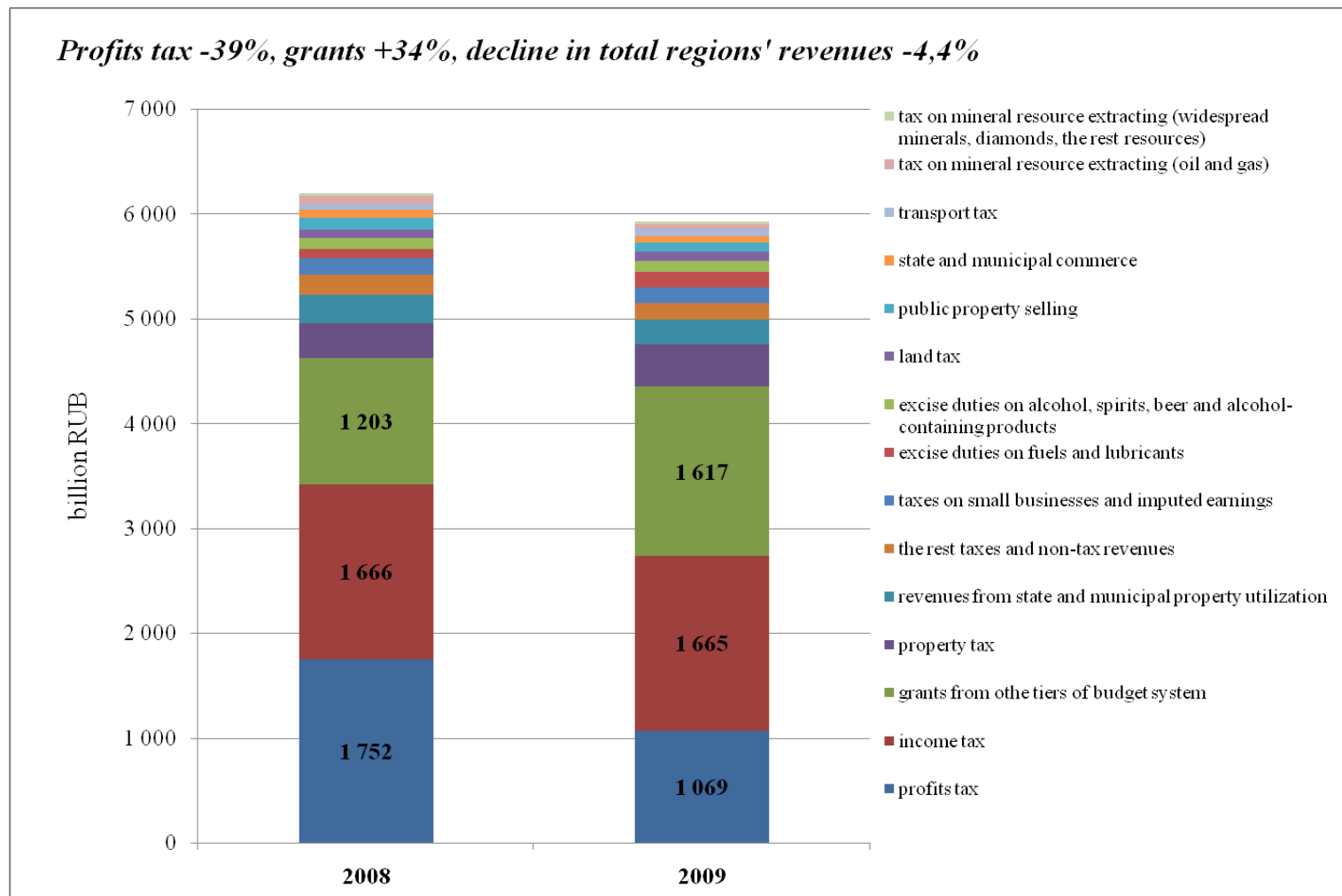
Local level - municipalities

city districts (the main cities)

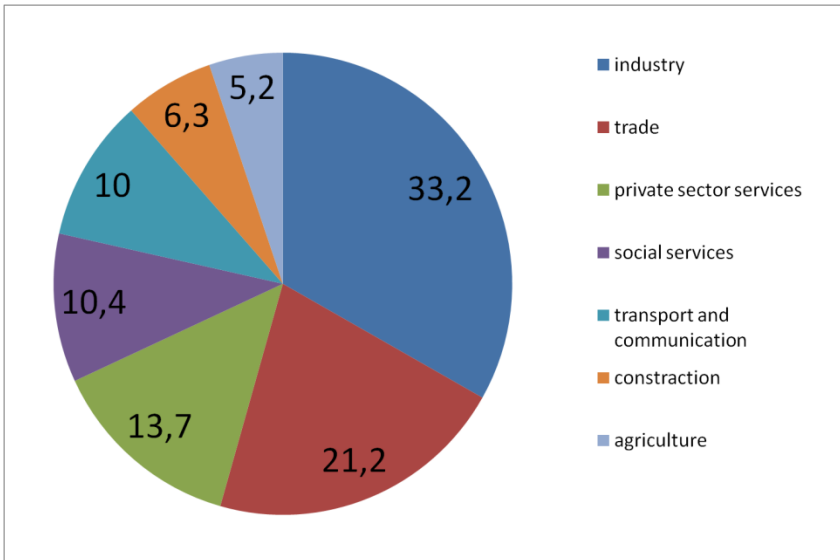
rayons



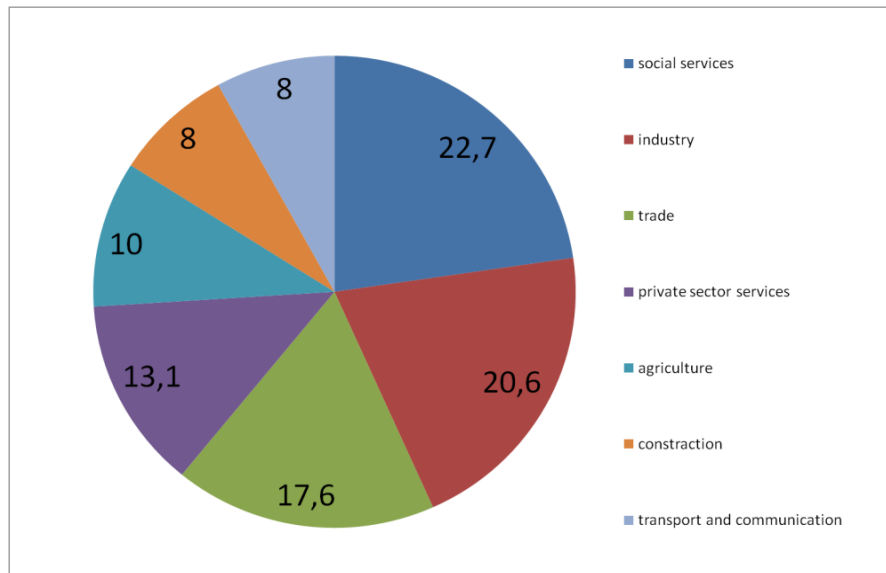
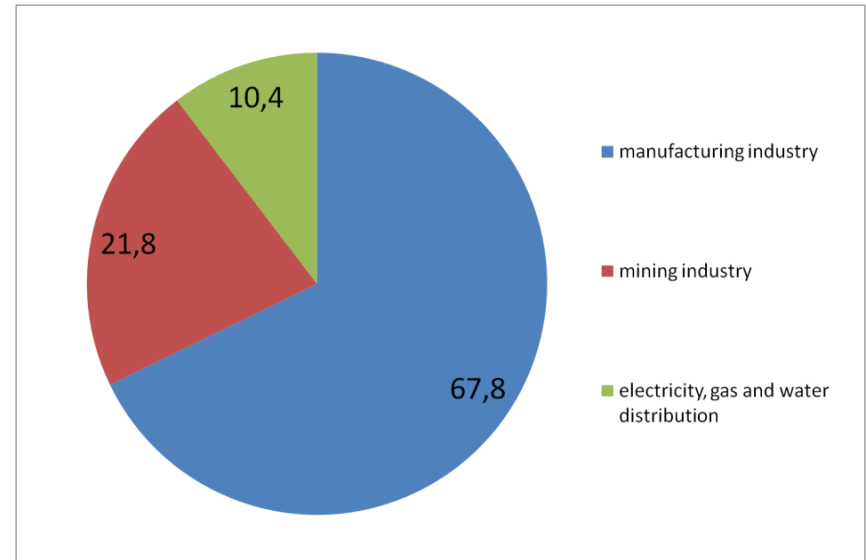
Changes in the composition of total regions' revenues, 2008 and 2009, billion RUB, current price



GDP pattern, 2007, %

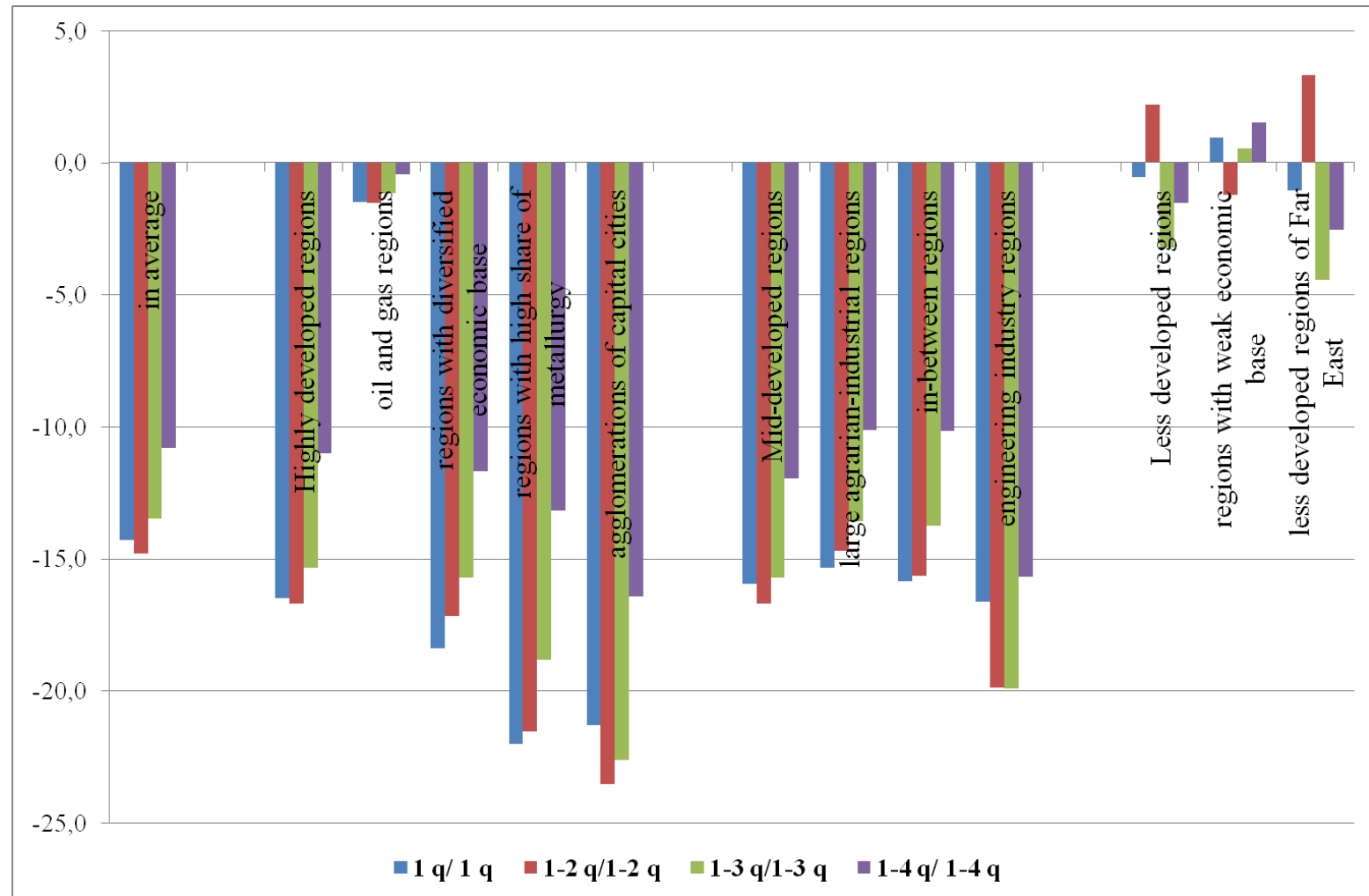


Industry composition, 2007, %

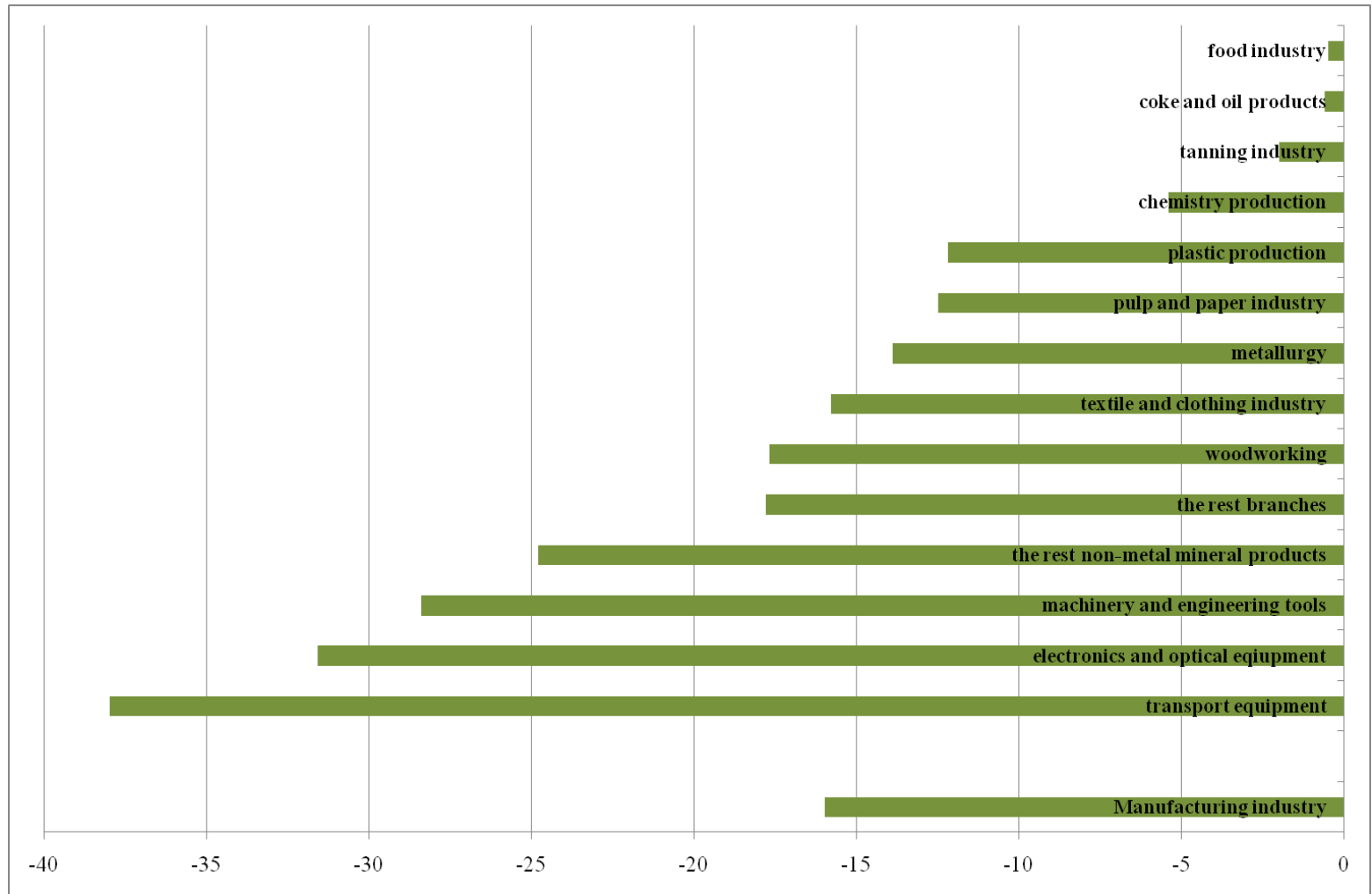


Occupational pattern 2008 , %

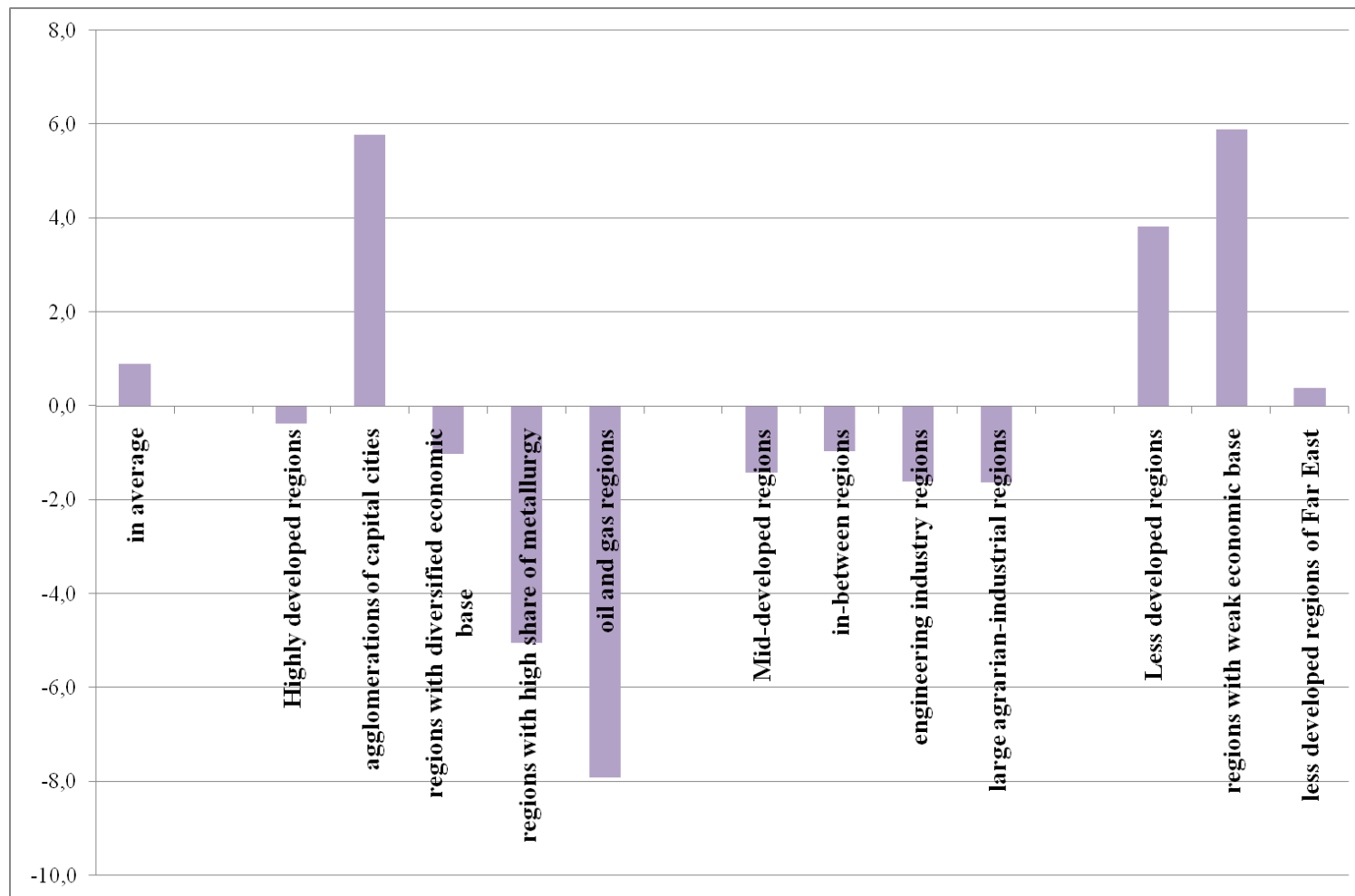
The dynamics of industrial production on the example of different groups of regions, 2009/2008, % change, y-o-y



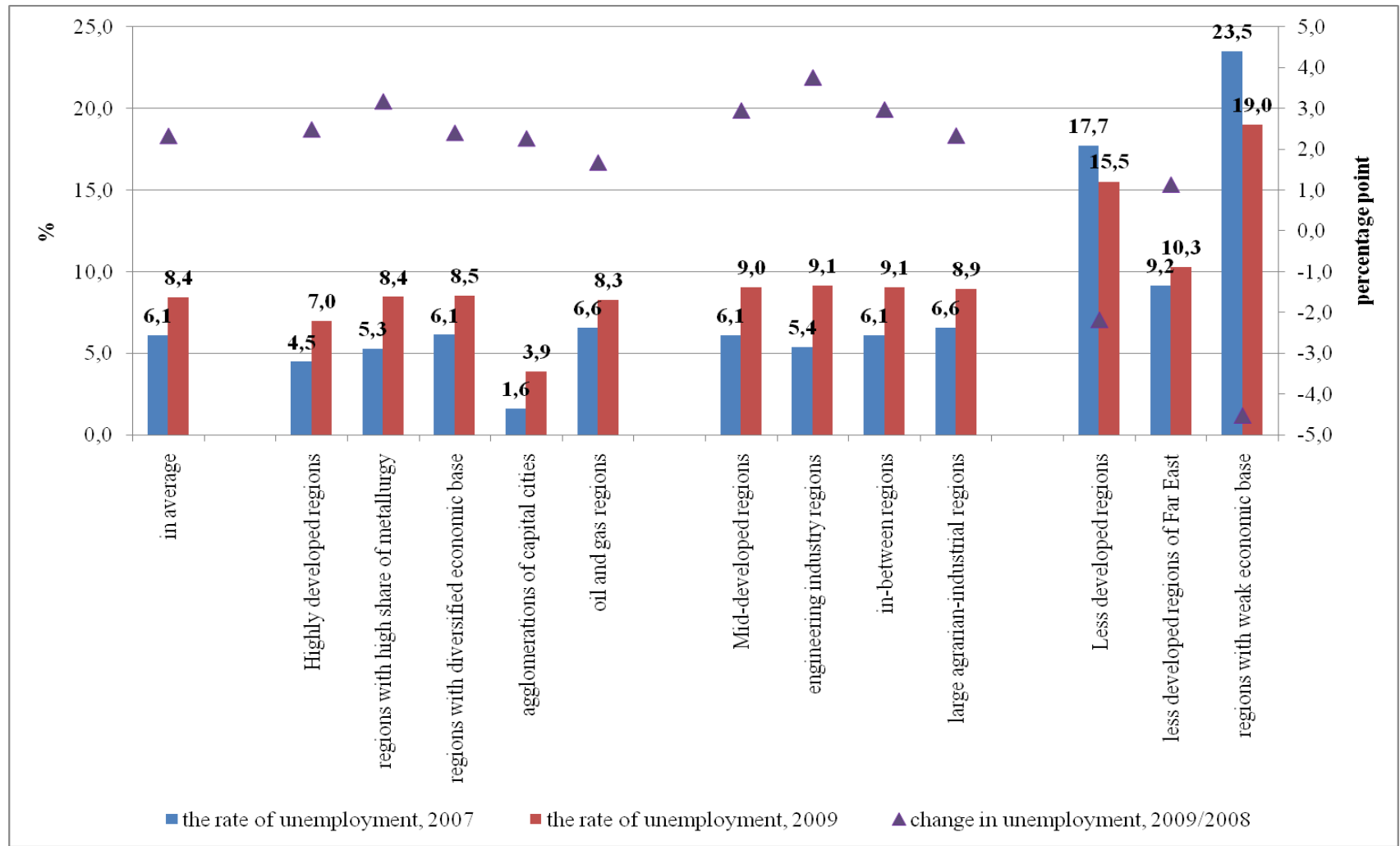
The indices of the main branches of manufacturing industry, 2009/2008, % change, y-o-y



The dynamics of a real income on the example of different groups of regions, 2009/2008, % change, y-o-y

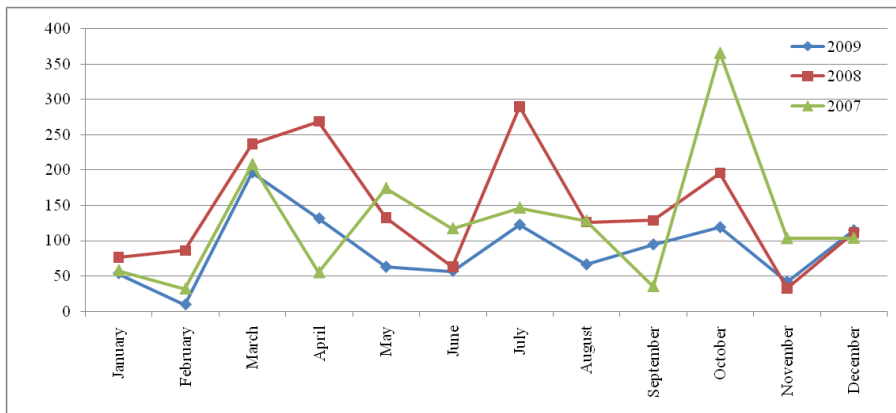


Changes in unemployment rate on the example of different groups of regions, 2009/2008, International Labour Organization methodology

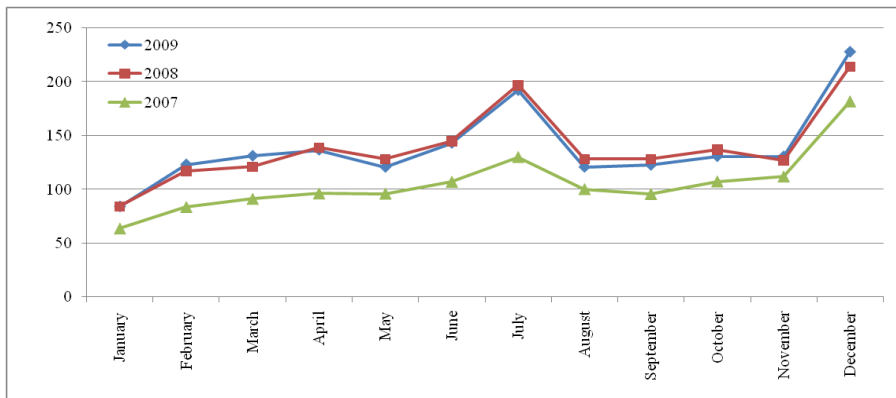


Regions-leaders in subemployment rate, December 2009, %

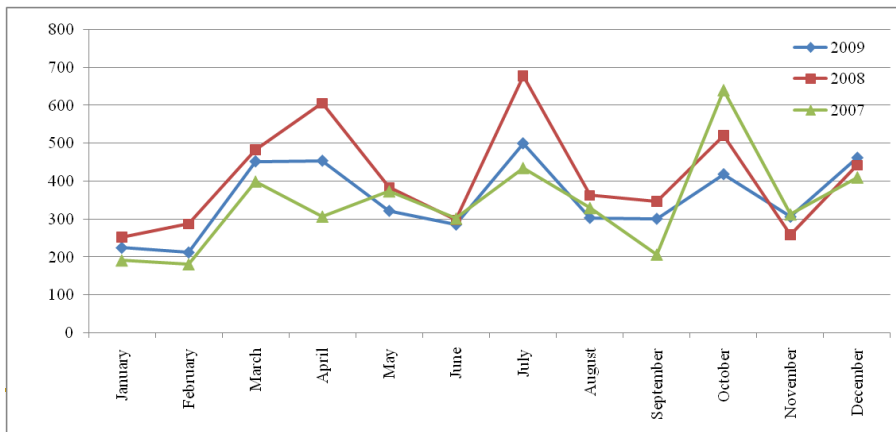
№	region	the rate of subemployment, %, December 2009
	Russian regions on average	2,7
1	Samara oblast	8,3
2	Ulyanovsk oblast	5,8
3	Chelyabinsk oblast	5,4
4	Sverdlovsk oblast	5,4
5	Chuvash Republic	5,0
6	Kurgan oblast	4,7
7	Vladimir oblast	4,6
8	Republic of Tatarstan	4,6
9	Nizhni Novgorod oblast	4,5
10	Udmurt Republic	4,2
11	Ryazan oblast	4,2
12	Kaluga oblast	4,1



The dynamics of profits tax collections flowed in consolidated regional budgets, 2007-2009, billion rubles

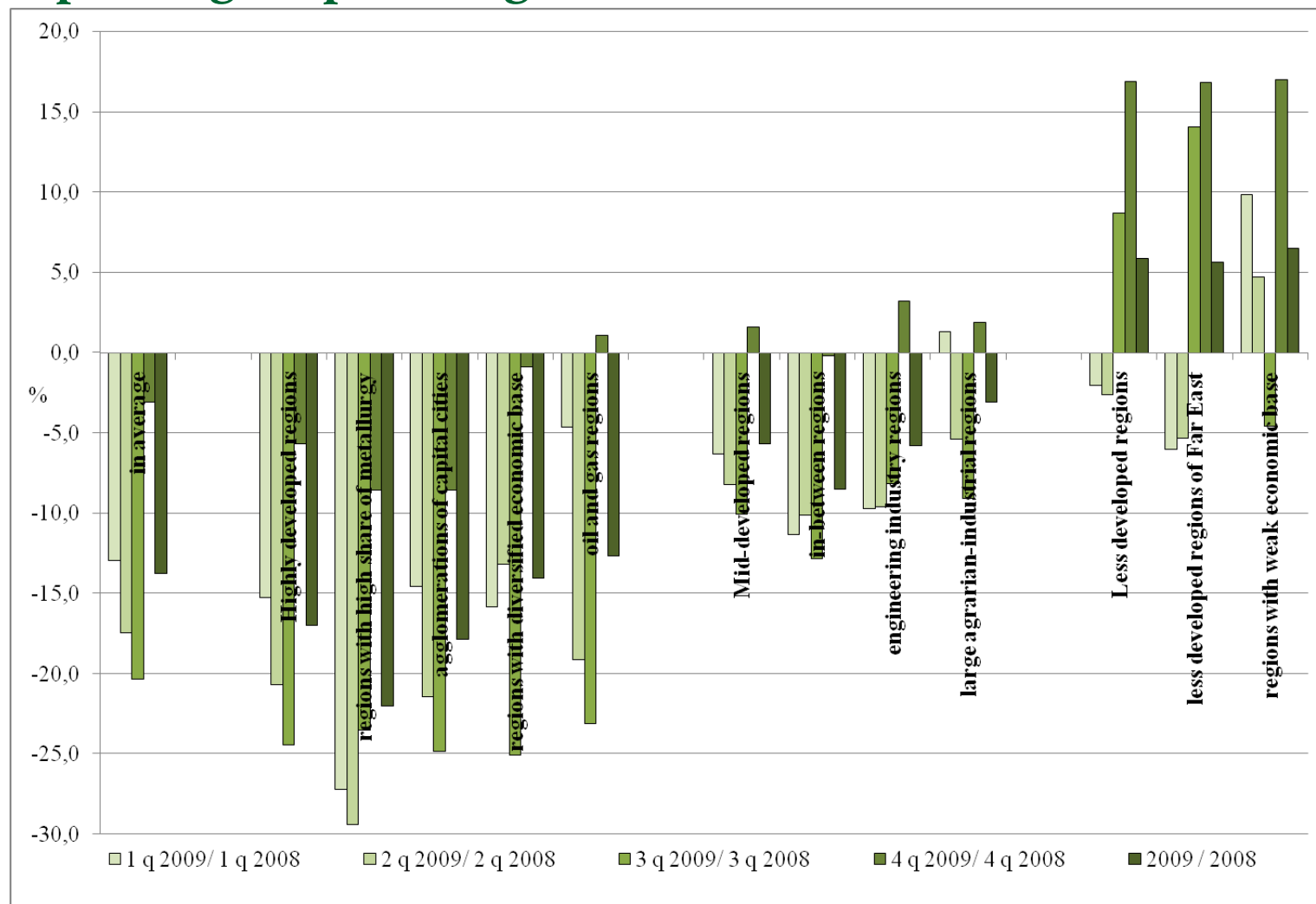


The dynamics of revenues from income tax in consolidated regional budgets, 2007-2009, billion rubles

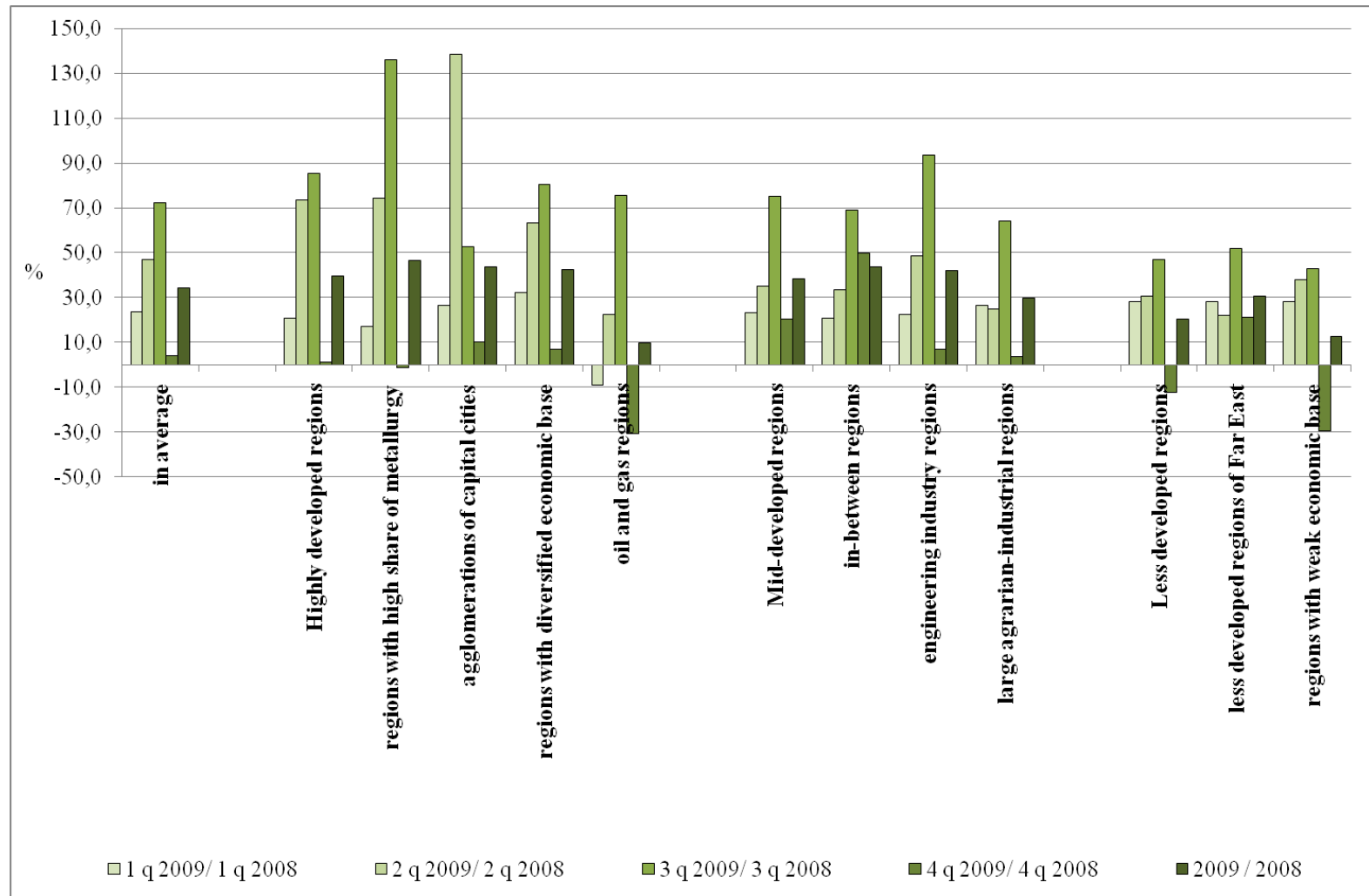


The dynamics of own-source revenues of consolidated regional budgets, 2007-2009, billion rubles

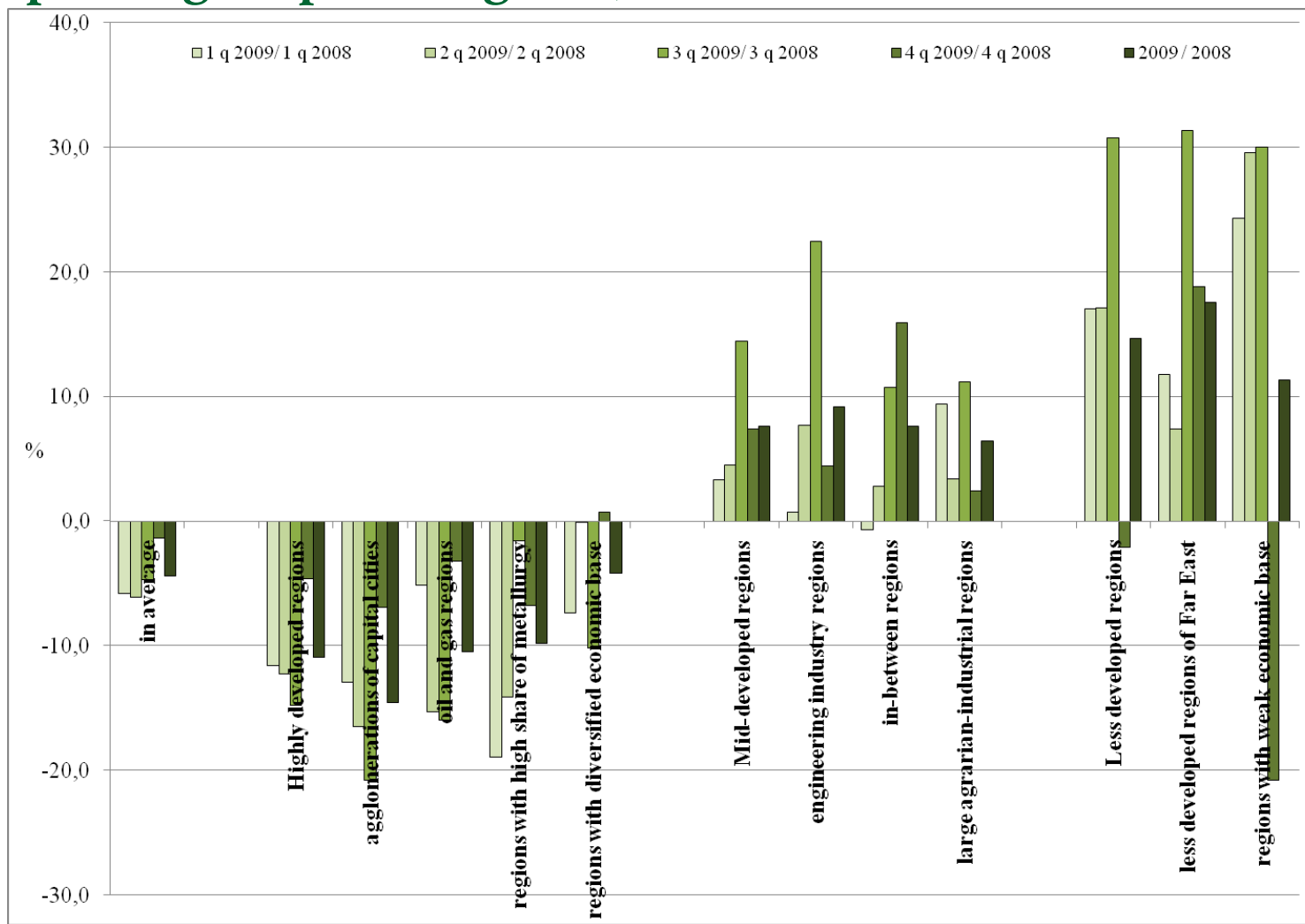
The dynamics of regional tax and non-tax revenues on the example of groups of regions, %



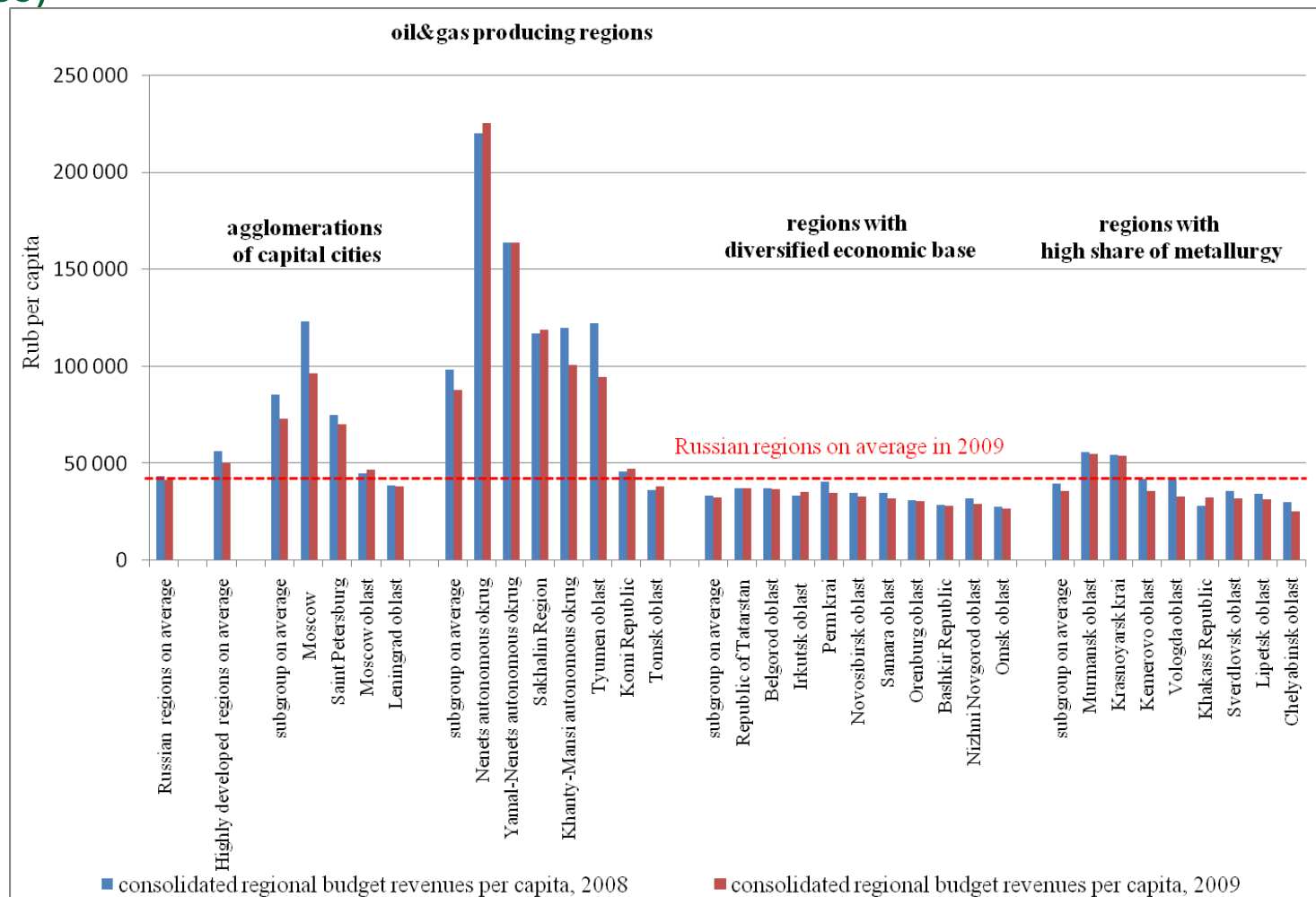
The dynamics of federal allocations on the example of groups of regions, %



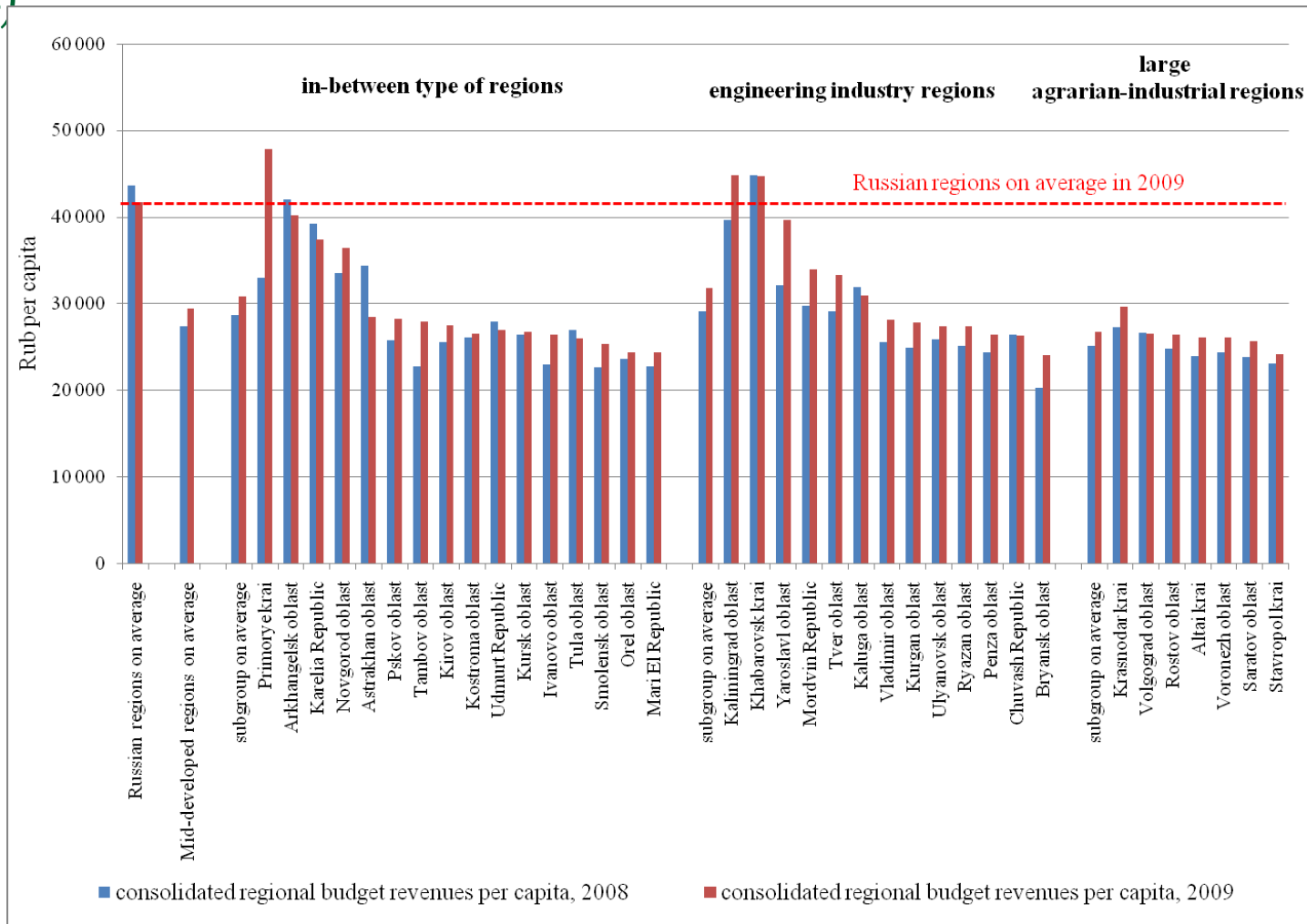
The dynamics of consolidated regional revenues on the example of groups of regions, %



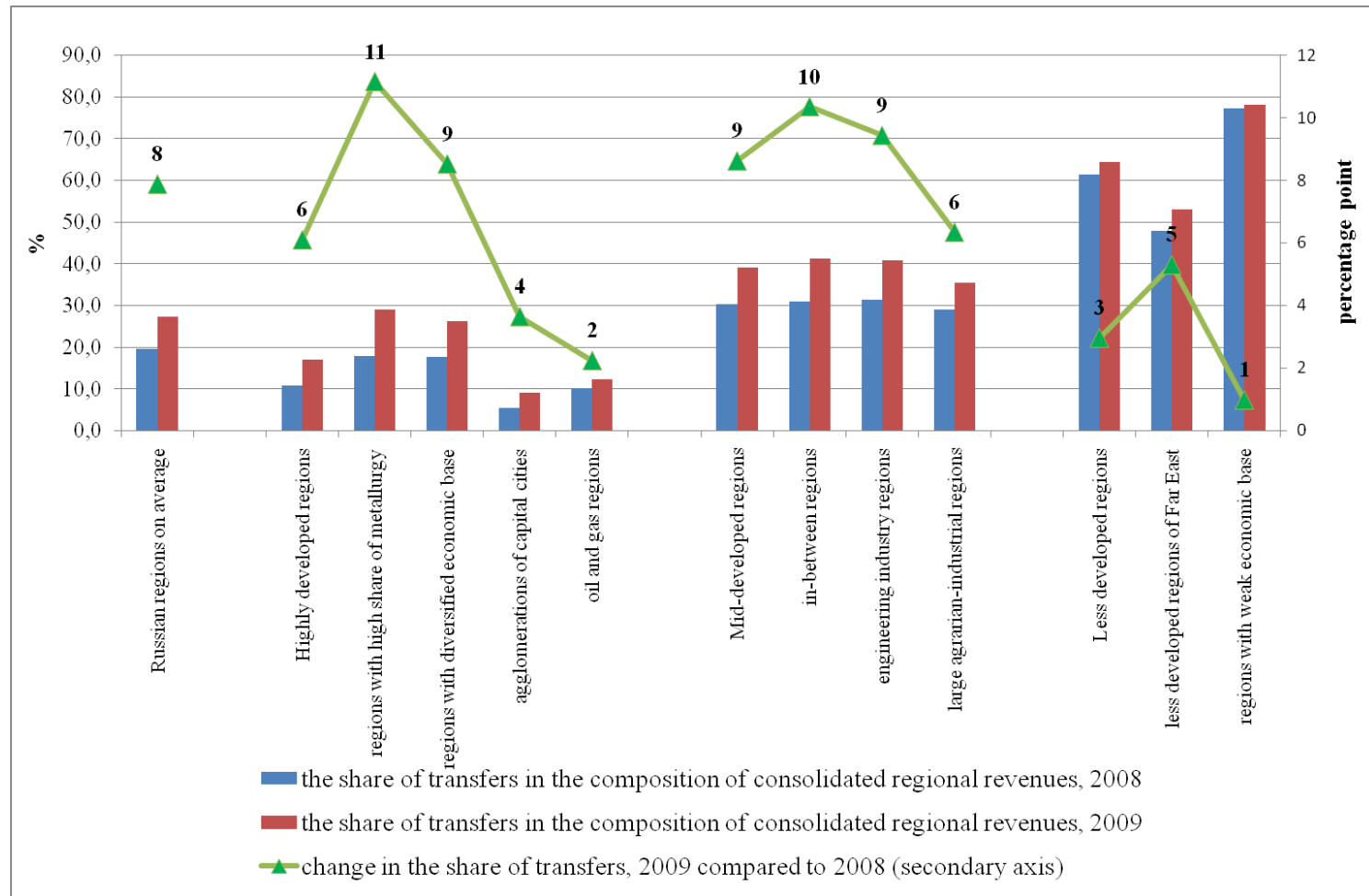
Consolidated regional budget revenues per capita of highly developed regions, 2008 and 2009, rubles per capita (current prices)



Consolidated regional budget revenues per capita of mid-developed regions, 2008 and 2009, rubles per capita (current prices)



The share of transfers in the composition of consolidated regional revenues, 2008 and 2009, %



Federal tools for the regional finance support

tool	details
the gap-filling grant (for cash deficit covering)	in 2009 the total amount of gap-filling is 4.1 times higher (192 bln rub = 6 bln USD) than in 2008 “manual control”
federal credits	predominantly support for strong regions
changes in equalization grant design (The Federal Fund for Financial Support of Regions, FFFSR)	the reduction of lag effect
redistribution of taxes	regions received 0.5% of profit tax (17.5% in 2008, 18% in 2009) and 100% of excise on oil products (60% in 2008)

The Federal Fund for Financial Support of Regions (FFFSR)

- the most important and powerful equalization tool
- 11,2 billion \$ (28,9% of federal int. transfers, 2008)
- formula is based on regional per capita fiscal capacity adjusted for costs of public services (per capita adjusted fiscal capacity index, AFC)
- **AFC = RFC / REN**
 - RFC - per capita regional fiscal capacity index
 - REN - per capita regional expenditure needs index
- If AFC > 1 than region doesn't receive federal transfers from the FFFSR
- disadvantages – cumbersome calculations and lag effect
- **in 2009 the period for RFS planning started to include two previous years and the reporting date of the current fiscal year (i.e. the year of budget projecting for the next fiscal year)**

Conclusion - three main trajectories

type of regions	examples	situation in economy	situation in regional finance
regions with export-oriented economy	regions with high share of metallurgy	deep decline and rather quick recovery (V-shaped trajectory of recovery)	significant percentage decline in budget revenues; the high level of per capita indicators in comparison with average level
mid-developed regions	engineering industry regions	prolonged recession (L-type trend)	the increase of federal grants compensated in part the losses in own-source revenues; per capita level of the key indicators remains low
regions with “budget-supported economy”	Republics of the North Caucasus area and the Far East	least impact of crisis	regions have a large cushion of federal grants which makes regional revenue base more resistant against the state of tax revenues and economic activity