

## CHAPTER II

### MONITORING OF LEGAL PROVISION OF STATE POLICY IN THE CONSTITUENT ENTITIES IN THE RUSSIAN FEDERATION

#### **2.1. Features of legislative provision of state policy in the constituent entities of the Russian Federation**

The process of preparing the Council of Federation report for 2006 involved the review of remarks and proposals submitted by the bodies of state power from most constituent entities of the Russian Federation. This chapter is completed on the basis of materials from the regional bodies of executive and legislative power. After all, in 2006, many of the constituent entities of the Russian Federation were energetically pursuing legislative and legal enforcement monitoring and preparing their own reports on the state of legislation. The materials of the constituent entities of the Russian Federation are based on legislative monitoring results — on subjects of competence of the Russian Federation, on subjects of joint competence, and on subjects of exclusive competence of the constituent entities of the Russian Federation.

Regional lawmakers devoted especial attention to monitoring of the following systemic laws: «On the General Principles of Organization of Local Self-Government in the Russian Federation», «On Making Changes and Additions to the Federal Law «On the General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation»», and federal law No. 122 of August 22, 2004. This chapter also presents material submitted by bodies of state power of a number of constituent entities of the Russian Federation concerning issues that they identified as most important to them.

The constitutional principles of delineation of authority between the bodies of state power of the Russian Federation and the constituent entities of the Russian Federation are at this stage being developed by the federal laws: «On the General Principles of Organization of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation», «On Making Changes to the Federal Law «On the Continental Shelf of the Russian Federation» and the Federal Law «On an Exclusive Economic Zone of the Russian Federation»», and «On Making Changes to Article 32 of the Federal Law «On the General Principles of Organization of Local Self-Government in the Russian Federation»».

The greatest influence on legislation of the constituent entities of the Russian Federation in 2006 was exercised by the federal law «On Making Changes to Individual Legislative Acts of the Russian Federation in Connection with Improvements to Delineation of Authority». Continuing the process of improving legislation in the area of delineation of authority between the levels of public power, this law exerted exclusive influence not only on the legislative system,

but also on the practical sphere of interrelations between the center, the regions and the bodies of local self-government.

It redistributed authority between the levels of public power and entrusted the right to bodies of state power of the constituent entities of the Russian Federation (in case of sufficient financial resources and at their own budgets' expense) to exercise additional measures on providing social protection for the population and other issues, and to take part in implementing the authority of the Russian Federation on issues of joint competence (if this is envisioned by federal law). At the same time, the federal center preserved its regulatory and controlling functions. The constituent entities of the Russian Federation were entrusted with the following four types of authorities:

additional authorities exclusive to the constituent entities of the Russian Federation, whose performance is financed from the budgets of the constituent entities of the Russian Federation; these cover a broad range of issues concerning environmental protection activities (in agreement with the provisions of forestry and water legislation, legislation on education, culture, health, etc.);

delegated authority, whose performance is entrusted to the constituent entities of the Russian Federation together with federal budget subsidies (state registration of acts of civil status and organization of military registration);

authorities that are entrusted through separate agreements (coordination of land use planning, city-building and draft documentation in the part on cultural heritage, etc.);

optional authorities, whose performance is not viewed as mandatory but only as the right of the constituent entity of the Russian Federation.

In the course of preparing and discussing the federal law «On Making Changes to Individual Legislative Acts of the Russian Federation in Connection with Improvements to Delineation of Authority», heated debate ensued among the deputy corps and most of the constituent entities of the Russian Federation. The greatest criticism was sparked by the optional authorities (fourth group). They were introduced on the initiative of the constituent entities of the Russian Federation themselves, permitting them to allocate available budget resources to on resolving issues that do not fall under their direct competence. In this manner, any doubts about the targeted nature of the spending were removed. However, the number of constituent entities of the Russian Federation that have free budget revenues available to them is not very high — there are only about 20 of them, and these are the «donor» regions.

In the course of the country's ongoing federal reforms, the bodies of state power of the constituent entities of the Russian Federation ended up with 59 groups of joint competence issues that they were obligated to carry out at the expense of their own budgets, and for whose implementation they were responsible (exclusive authorities). The other joint competence issues were retained with the federal center and may be transferred to the constituent entities of the Russian Federation only together with the corresponding financial means (delegated authority).

The main objective standing before regional legislators today is to develop and provide normative-legal consolidation for mechanism implementing the federal law «On Making Changes to Individual Legislative Acts of the Russian Federation in Connection with Improvements to Delineation of Authority». Considering that the delineation of authorities between the levels of public power is today a key issue, one could call this law one of the most important — but not the last one in this sphere. The process of delineating authorities between levels of public power has not been completed yet.

Thus, for example, in the process of implementing the priority national project on «Affordable and Comfortable Housing for Russian Citizens», a mechanism had to be urgently devised for issuing permits for individual residential housing. In accordance with article 8 of the City-Building Code of the Russian Federation, this authority rests with the bodies of local self-government. At the same time, according to federal law «On Architectural Activity in the Russian Federation», construction permits are issued by bodies of local self-government of city districts, city and rural settlements, bodies of the executive power of the constituent entities of

the Russian Federation — cities with federal status, Moscow and Saint Petersburg. This contradiction must be resolved.

On the subject of local self-government organization, some significant legislative work has been recently accomplished by the constituent entities of the Russian Federation: 62 constituent entities of the Russian Federation have established borders between municipal districts, dates have been set and elections are being held for seats in bodies of local self-government; in 84 constituent entities of the Russian Federation, formation has been completed of new bodies of local self-government.<sup>1</sup>

A strict link between authorities and obligations, as well as responsibilities and financial means, are viewed as constructive for the present stage of Russian federal development. This strengthens the responsibility carried by the constituent entities of the Russian Federation for executing the most important tasks that ensure the regions' livelihoods, and averts the non-targeted spending of regional budget resources. Serious work is underway within the frameworks of federal reforms on the abolishment of federal mandates that have no provision, first of all in the social sphere, where many of the social concessions and guarantees established by federal law were only being partially financed by the federal budget. In this manner, disparities are being eliminated between the regions and, correspondingly, the inequalities between people living in the various territories of our country.<sup>2</sup>

At the same time, in the course of far-ranging restructuring of Russian legislation, a significant cut was made to the competences of constituent entities of the Russian Federation on issues of joint authority. Many of the most important groups of public relations were completely transferred to the competence of federal bodies of state power, and mechanisms for joint execution by federal and regional bodies of the most important tasks that require joint implementation, were eliminated.

It is enough to raise the example of the dynamics involved in the delineation of authorities in the sphere of water relations, where federal law No. 122 of August 22, 2004 transferred all bodies of water, together with the water tax, to federal control. The federal law «On Making Changes to Individual Legislative Acts of the Russian Federation in Connection with Improvement in the Delineation of Authority» gave the constituent entities of the Russian Federation the right to retain possession of detached bodies of water (landlocked bodies of water). At the same time, the constituent entities could

oversee such bodies of water at their own initiative. The federal center transferred these authorities to the regions and relieved itself of the responsibility for their upkeep. However, the regions refused to accept these authorities because they lacked the sufficient funds. The water tax had been withdrawn from the constituent entities of the Russian Federation. It turned out that the constituent entities of the Russian Federation had to use their own resources, which did not include provisions for bodies of water maintenance, to maintain landlocked bodies of water.

Federal law «On the Enactment of the Water Code of the Russian Federation» eliminates the non-obligatory implementation of regional authorities in this sphere and establishes mandatory exclusive authorities for the constituent entities of the Russian Federation, them being: to carry out state regional control and oversight of the use and protection of bodies of water, bodies of water monitoring, preservation of drinking water resources, normative-legal regulation of individual issues in the area of water relations, and ownership over bodies of water within the limits set by the Water Code of the Russian Federation. This code significantly elaborates and expands the list of exclusive authorities of the bodies of state power of the constituent entities

<sup>1</sup> The experience of creating new municipal entities and bodies of local self-government is described in materials presented by deputy governor — head of the Pskov oblast administration, D. V. Shakhov; Omsk oblast Governor L. K. Polezhayev, deputy head of the Ivanovo oblast government, S. A. Pakhov; Yaroslavl oblast Deputy Governor S. A. Burov. Volgograd oblast Governor V. E. Pozgalayev.

<sup>2</sup> Provisions of this report dedicated to the problem of federal relations are substantiated by materials from the Commission of the Council of Legislators on legislative monitoring, presented by its chairman Yu. A. Gontar, chairman of the Stavropol kray State Duma.

of the Russian Federation. However, it does so without returning the previously withdrawn water tax to the regions. Thus, for example, the Stavropol kray budget earned up to 650 million additional rubles a year from water tax payments, with the funds used for the restoration and protection of bodies of water and the water utilization system.

An understanding has been reached that excessive centralization of competences at the federal level leads to inefficient state administration at this modern stage of federal reform development, since it demands the creation of additional federal structures in the regions, which is irrational and economically expensive. At the same time, a broadening of regional independence has engendered a series of problematic issues. First of all, a detailed analysis is required of the justification of separating authorities into obligatory and voluntary types. Considering the current mentality existing in the regions, such «ownerless» authorities belonging to «nobody» are in unison treated as exclusive responsibilities of the constituent entities of the Russian Federation, which are not backed by revenue sources. Second, the constituent entities of the Russian Federation have the right to perform only those authorities that are not included in the exhaustive list of their exclusive responsibilities. However, such restrictions of competence of the constituent entities of the Russian Federation contradict their right to anticipatory lawmaking, a right that has been repeatedly confirmed by rulings of the Constitutional Court of the Russian Federation.

A second direction: A trend has developed in recent years of returning certain federal authorities on issues of joint competence to their place of implementation, by way of delegating them together with the federal subsidies intended for their execution. The bodies of state power of the constituent entities of the Russian Federation have received certain authorities of the Russian Federation in the joint competence sphere concerning social assistance and provision of employment for the population, wildlife conservation, forest use, protection and reclamation, state registration of acts of civil status, and the staging of environmental and state expert analyses of various types of draft documentation on the subject of city-building. But these authorities were not qualified as the exclusive authorities of the bodies of state power of the constituent entities of the Russian Federation. For this reason, the sources of revenue required for these authorities' implementation have not been firmly assigned to the constituent entities of the Russian Federation. Regions received the right to these federal authorities in a delegated manner, backed by subsidies from the Federal Compensations Fund, in other words, with expense budgets for their implementation.

It appears that the redistribution of competences between the center and the regions on issues of joint competence in the form of delegated federal authorities contain a number of legal, economic and political shortcomings. First of all, the transfer of authority is being implemented directorially, without the establishment of corresponding agreements between the federal and regional bodies of state power. Refusal to perform the federal obligations is not allowed. In essence, a delegation of responsibilities is happening within the system of executive power of the Russian Federation.

Second, implementation of authorities through a subsidy mechanism of financing limits the regions' tax potential and fails to provide incentives for the bodies of state power of the constituent entities of the Russian Federation to efficiently implement these «foreign» responsibilities, which were placed on them without agreement.

Third, a delineation of authorities within a federal system is being substituted by the administrative delegation «from the top down». As a result, federal relations between the Russian Federation and its constituent entities are being replaced by administrative relations between federal and regional bodies of state power that concern the performance of delegated federal authorities. Federal units are turning into administrative-territorial ones, which threatens to reform a federal state into an administrative and unitary one.

A very illustrative example of this is demonstrated by the dynamic of the delineation of powers in the area of ownership, use and allocation of forestry resources. Federal law No. 122

of August 22, 2004 in essence altered the conception of the Forestry Code of the Russian Federation. Forest reserves were declared a part of federal property, which removed the possibility of their partial transfer to constituent entity of the Russian Federation control. Provisions were excluded from the Forestry Code that had placed responsibilities on constituent entities of the Russian Federation to use, secure, protect and regenerate forests. In this manner, the constituent entities of the Russian Federation were practically excluded from taking part in forestry legal relations. The bodies of state power of the constituent entities of the Russian Federation were excluded from resolving issues on the lease of forests, their free use, concession and short-term utilization of forest reserve plots, and control over forest reserve use, their security, protection and regeneration. Provisions were also excluded that had foreseen participation by bodies of state power of the constituent entities of the Russian Federation in the organization of forest fire prevention and the battle against forest pests and diseases.

The 2006 Land Code reform excluded forest relations from the subjects of joint competence, as a result of which, all authorities belonging to the bodies of state power of the constituent entities of the Russian Federation in this sphere were transferred to the competence of federal bodies. This centralization of authorities contradicts the federal nature of the Russian state; the federal legislator does not have the right to secure for the Federation the entire body of authorities for a particular subject of competence. The Forestry Code conclusively enshrined the over-centralization of state power in the field of ownership, use and allocation of forestry resources. All forestry lands were officially placed under federal control and, correspondingly, all authorities in this sphere are now part of private federal competence and may only be partially delegated to the constituent entities of the Russian Federation.

Federal over-centralization of joint competence issues is a distinguishing feature of laws providing the implementation of federal reforms. As a result, the Constitution of the Russian Federation's guarantee of completeness of state power of the constituent entities of the Russian Federation outside the competence of the Russian Federation, and their legal freedom on joint competence issues, turns out to be a fiction. The predominant majority of mutual legal space has been redistributed in favor of federal power, and the remaining part of regional competences may be revoked at any time. The package of laws regulating federal relations reform was adopted without prior serious analysis of public needs or social expectations, and without proper consideration for the opinion of the constituent entities of the Russian Federation on critical issues of state power delineation in the country. The predominant majority of local proposals were not included in these laws. This disregard by federal lawmakers for the opinion of the constituent entities of the Russian Federation cannot be treated as satisfactory.

Results of a Stavropol legal monitoring center's poll of heads of legislative (representative) bodies of the constituent entities of the Russian Federation representing the Southern Federal District show that eight out of 12 questioned officials believe that the number of authorities secured for the constituent entities of the Russian Federation is excessively small. All of the heads of the legislative (representative) bodies spoke out against excluding the constituent entities of the Russian Federation from forestry, water and subsoil use relations. Ten out of 12 heads of legislative bodies of the constituent entities of the Russian Federation representing the Southern Federal District believe that a revision has occurred of article 72 of the Constitution of the Russian Federation, which secured the subjects of joint competence between the Russian Federation and its constituent entities.

Thus, the results of a stronger centralization of state power in the Russian Federation tilted the constitutional balance between federal and regional powers, escalating relations between the Russian Federation and its constituent entities. Under these circumstances, there is a need for a certain correction to future federal reorganizations, altering the vector of federal relations reform. It is essential to establish the principles used for the legal division of joint competence issues, and only then to draw their clear formulation, agree them with the constituent entities of the Russian Federation, and consolidate them normatively. And only then may the next stage

of federal reforms ensue. Federal lawmakers' activities, and the depth and degree of federal regulation, must be clearly governed and conform to such principles as subsidiary relations, cooperation, agreement, solidarity and mutual responsibility. The body of such principles may become the basis for a future model of Russian federalism, whose normative consolidation seems especially relevant today. Three years have passed since the adoption of a federal law establishing new principles of organization of local self-government in the Russian Federation.<sup>3</sup>

As the practice of enforcement of legislation on local self-government showed, 2006 played a principle role for the implementation of municipal reforms in the constituent entities of the Russian Federation. The legislative and executive bodies of state power of the constituent entities of the Russian Federation conducted a detailed monitoring of federal legislation on local self-government, coming to the conclusion that most of the changes introduced to the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation» failed to harmonize its statutes with the numerous norms of this sector's legislation, which regulate issues of competence of local self-government bodies.<sup>4</sup>

The need to introduce changes to sector legislative acts remains. In particular, an especially strong need exists today to improving Russian Federation legislation on taxes and levies, and the budget legislation of the Russian Federation. The problem of legislative provision for the formation and execution of local budgets is one of the most important problems affecting the implementation of local self-government reforms in the Russian Federation.

The sources of local self-government revenues established by federal legislation are insufficient to support and see for the full and proper implementation of local self-government authorities. The unbalanced local budgets of recent years have resulted in a deterioration of municipal districts' socioeconomic conditions, and a drop in the quantity and quality of municipal services provided for the population.

Municipal districts' financial standing was hurt by the assignment of additional issues of local significance to bodies of local self-government, without the accompanying transfer of corresponding local budget revenue resources. In order to guarantee that local budgets are balanced and that local self-governments pursue the development of their municipal territories' tax bases, it is first and foremost essential to improve local budget tax revenues.

One of the principles of budget reforms became the permanent assignment to each budget level of independent sources of revenue. Until this principle was implemented, regional budget provision was balanced through the allocation of appropriations from the Federal Fund of financial support for the constituent entities of the Russian Federation, which were set annually with the federal budget's adoption.

The Novosibirsk oblast and Krasnoyarsk kray<sup>5</sup> experiences of forming local budgets according to statutes of federal law «On the General Principles of Organization of Local Self-Governments of the Russian Federation» and the Budget Code of the Russian Federation showed that local budget assistance procedures envisioned by federal legislation were unable to efficiently and adequately balance municipal district budget needs.

Today, the tax and non-tax local budget revenues are on the whole unable to support the provision of sufficient, independent local budget revenue bases. Local budgets are mostly formed thanks to financial assistance from the budgets of the constituent entities of the Russian Federation, with some 95 percent of the municipal districts receiving transfer aid payments. In the opinions of the bodies of state power of many constituent entities of the Russian

<sup>3</sup> Provisions of this report on problems in federal relations are based in part on materials from the Commission of the Council of Legislators on legislative monitoring, presented by its chairman Yu. A. Gontar, chairman of the Stavropol kray State Duma.

<sup>4</sup> The prospects of future development in this sector's legislation are discussed in materials presented by the State Assembly — Kurulati — of the Republic of Bashkortostan (chairman K. B. Tolkachyov) and Perm kray Governor O. A. Chirkunov.

<sup>5</sup> An appraisal of the formation of local budget is contained in the proposals to the report of the Novosibirsk oblast Council of Deputies Chairman A. A. Besapalikov, and Krasnoyarsk kray First Deputy Governor V. Yu. Kuzubov.

Federation,<sup>6</sup> local self-government reforms aggravated the problem of revenue base formation for municipal district budgets, first and foremost in rural settlements.

Budgets of settlements receive the full amount of property taxes levied on private individuals. The size of these did not vary for a number of years, and their amounts remained exceptionally small. The reasons why the tax revenues generated by these were minuscule are linked to the slow pace of rural housing market development; the fact that completed housing is not properly submitted for operation; that due to the absence of title documents, tax authorities are unable to present property owners with tax payment notifications in accordance with the legislation of the Russian Federation; the inventory of housing prices does not correspond to modern-day realities; the absence of a real estate owners register; and the fact that tax authorities fail to carry out sufficient number of control measures for identifying new real estate assets that are subject to tax.

Legislation fails to stipulate for any conditions promoting the timely and proper completion by citizens of the required procedures for executing title documents. The administrative fees on title documents are accompanied by expenses, whose burden falls on the property owner (citizen) and which are not subject to any compensation from the state. The situation may be improved by the federal law «On Making Changes to Certain Legislative Acts of the Russian Federation on the Issue of Simplified Procedure Execution Citizens Rights to Individual Real Estate Items», which provides bodies of local self-government of city districts and settlements the right — in order to execute through a simplified procedure the rights of citizens to land properties intended for private, subsidiary country use in horticulture, gardening, individual garage or individual housing construction, and also to build real estate objects on such properties — to provide citizens assistance in preparing the required documents for the execution of state cadastral accounting of land properties and technical accounting (inventory) of the real estate objects built on such property, and for state registration of their right to them. The bodies of local self-governments in settlements and city districts may accept citizens' applications for the conduct in these citizens' interests of state cadastral accounting and state registration of their right to real estate property, their right to commission land development on such land properties, and for their to be technical accounting (inventory) of the real estate objects built on such property, and for the bodies to receive the required documents and to issue such documents to citizens.

Work is already in progress on implementing the federal law «On Making Changes to Certain Legislative Acts of the Russian Federation on the Issue of Simplified Procedure Execution Citizens' Rights to Individual Real Estate Items». Thus, for example, the bodies of local self-government of the Chelno-Vershinsky municipal district of the Samara oblast planned by February 1, 2007 to register the rights to all land properties located within the boundaries of this municipal district.

However, it is clear that normative-legal regulation is required for both this and other issues listed above, which establish the timeframes by which taxpayers must execute their property rights to fully constructed individual housing. It is essential to introduce measures of responsibility for the avoidance of registration of real estate property rights, to develop a legislative act for taxing uncompleted construction objects and other unregistered properties, including land properties, and to establish a procedure for appraising the inventory value of real estate items that is close to the market price.

The taxes on the income of private entities and the unified tax on imputed earnings for individual types of business activities form the basis of municipal district budget revenues. For

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<sup>6</sup> The experience of creating new municipal districts and bodies of local self-government is discussed in the materials submitted by deputy governor — head of the Pskov oblast administration, D. V. Shakhov, Omsk oblast Governor L. K. Polezhayev, deputy head of the Ivanovo oblast government, S. A. Pakhomov, Yaroslavl oblast Deputy Governor S. A. Burov, and Volgograd oblast Governor V. E. Pozgalayev.

example, in the Volgograd oblast in 2006, based on rates of allocation established by the Budget Code of the Russian Federation, the private entity income tax (herewith — PEIT) represented 50 percent of the revenues, the unified tax on imputed earnings for individual types of business activities (herewith — UTBA) — 30.9 percent, revenues from state tax payments — 8.8 percent, and from fees (fines) — 5.3 percent.

The municipal district budgets are more stable in comparison to ones in the settlements since they benefit from the most secure and easiest to forecast taxes — the PEIT and UTBA. Taking into account additional rates of PEIT allocation, the proportional weight of these two taxes in municipal budget revenues stands at up to 90 percent. The situation is slightly more satisfactory in municipal districts that represent city districts. Thus, the following structure of tax and non-tax budget revenues emerged for Volgograd oblast city districts in 2006: PEIT revenues — 45.2 percent, land tax revenues — 20.8 percent, UTBA — 16.1 percent, revenues from property use — 12.4 percent. Thus, the revenue base of city district budgets, which is composed of four revenue sources, is more diversified. For this reason, city district budgets have stronger «safety coefficients», are more resistant to change in taxpayer behavior, and also to seasonal and unforeseen fluctuations.

However, as shown by the experience of forming local budgets according to provisions of the law «On the General Principles of Organization of Local Self-Government in the Russian Federation» and the Budget Code of the Russian Federation, the procedure envisioned by legislation of the Russian Federation for balancing municipal districts' budget provisions does not always lead to the efficient and justified distribution of financial assistance resources between the local budgets.

The first stage of local self-government budget reform implementation should provide for simplified and more in-depth mechanisms for balancing municipal district budgets. In particular, a mechanism should be introduced that redistributes revenue sources between local budgets while also providing incentives for bodies of local self-governments, both the municipal districts and settlement ones, to improve the efficiency of their tax administration and provide for a steady revenue flow to local budgets of all levels.

This goal may be achieved with the help of the following measures: to narrow the list established by the Tax Code of the Russian Federation of legal entities that are released from land tax payments; improve the methods employed for cadastre land appraisal; to grant bodies of state power of the constituent entities of the Russian Federation the right to individually adjust land tax rates according to an index, within limits set by federal legislation; to transfer to bodies of state power of the constituent entities of the Russian Federation and to bodies of local self-government the right to conduct their own cadastre land appraisals.

Further improvements are also required to the current procedure of delineating spending responsibilities between local budgets. For example, the Volgograd oblast calculated, according to authorities set by the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation», the minimal spending responsibilities of local budgets for 2006. Results of the spending obligations analysis made it clear that the authorities exercised by settlements in the sphere of budget services provision are unjustifiably low. In some settlements, administration staff spending makes up 60-70 percent of the local budget expenses. The existing system delineating spending authorities needs to be improved, but not so much concerning the details of the already created authorities or in affixing authorities to settlements similar to those already assigned to municipal districts, but through a redistribution of authorities between the budgets themselves.

The principle of reducing administrative controls to the lowest possible level must be followed unwaveringly. Bodies of local self-government in municipal districts must win the authority to provide budget services needed within the municipal districts' boundaries. This approach will also ensure the improvement of budget services' quality, as well as the efficiency of budget spending. It is essential to assign bodies of local self-government in the settlements

with the authority to operate feldsher-midwife stations and kindergartens (public nurseries), and to remove this authority from the oversight of municipal districts. Feldsher-midwife stations and kindergartens are walk-in services. The adoption of these proposals would help draw bodies of local self-government in the settlement into the process of territorial development, and to reduce the share of administrative expenses in the cost of budget services. As for municipal districts, the bodies of local self-government in municipal districts must be assigned with the authority to stage cultural and popular events of district proportions.

In the opinion of the bodies of state power of the Samara oblast<sup>7</sup>, the problem of budget resource constraints in dealing with issues of local significance is the most serious of all, and is for the large part caused by the low level of local tax collection. Concerning the PEIT, for example, it often develops that settlements essentially serve as «workforce donors» to large cities (city districts). These settlements' budgets are thus not filled with private entity income tax payments, which are levied on citizens whose main place of employment is located on the territory of a different constituent entity of the Russian Federation or municipal district. At the same time, citizens still receive a significant part of the most important social budget services (in the areas of healthcare, education, and social assistance) based on the place of residence. A similar situation also occurs with non-tax local budget revenues.

An additional serious factor affecting tax collection is the inadequate state of tax administration. First of all, it sees tax agencies predominantly focus on the administration of federal taxes and contains no incentive for local tax administrations. And second of all, the absence of updated information at the disposal of tax authorities concerning taxpayers and objects subject to tax collection often leads to situations in which the various agencies supply contradictory information.

Tax and non-tax revenues fail to properly resolve issues of local significance, and are reduced to playing secondary roles in local budget revenue formation. For this reason, at this stage of local self-government reforms, the most important role in local budget revenue formation is assigned to financial assistance from other budget levels in the shape of appropriations and subsidies.

Monitoring of the state of local budgets in the constituent entities of the Russian Federation leads to the conclusion that the main problem that municipal reforms had set out to resolve — provision of financial autonomy to local self-governments — still remains unsettled. Between 70 and 80 percent of all budget resources are concentrated at the level of regional budgets, funds that are essential to resolving issues of local significance (Dagestan, Kabardino-Balkaria, Bryansk, Kurgan, Tambov, Tomsk and Ulyanovsk oblasts, and the Yamalo-Nenetsk autonomous region). In the Ulyanovsk oblast, budget provision for the exclusive authorities of municipal districts stood at just 14 percent, which included oblast budget allocations, in Adygeya — 30 percent, Samara oblast — 40 percent, Khabarovsk kray — 35 percent, Stavropol kray — 31.7 percent, in city districts — 34.8 percent, in rural settlements, municipal districts and city districts — 53.5 percent, and in the Kurgan oblast — 54.5 percent. An expert opinion poll conducted in the Stavropol kray found that 76.4 percent of the respondents believe that budgets for 2006 failed to provide municipal districts with resources for sufficient for them to perform their exclusive authorities.

The need for real improvements in budget provisions for municipal districts represents the principle problem, without whose resolution reforms of local self-government are fated to fail. Some 88 percent of the heads of legislative (representative) bodies of state power in the constituent entities of the Russian Federation believe that it is essential to make changes to the Budget Code of the Russian Federation, raising the rate of federal tax and duty allocation to local budgets. The need for municipal districts to achieve real financial autonomy was mentioned

<sup>7</sup> Based on materials and proposal to the report submitted by Samara oblast governor S. A. Sychyov.

in almost every regional proposal that reached the Council of Federation in 2006, in opinions that were based on results of municipal reform monitoring.

The results of local self-government reform monitoring<sup>8</sup> identified not only budgetary but other problems as well, concerning: creation of conditions enabling the population to take part in local self-government; normative legal provision for the redistribution of authority between the various types of municipal entities and the constituent entities of the Russian Federation; precision of the general principles concerning the formation of local self-government body structures; the preparation and adoption of a federal law regulating the status of officials elected to local self-governments; provision of staff for bodies of local self-government; and the organization, financial provision, development and adoption of municipal district territorial planning documents.

As demonstrated by the practice of implementing the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation», the hopes placed on local populations' interest in helping resolve issues of local significance went unanswered. According to article 56 of this law, the issue of introducing and utilizing one-time citizen payments must be resolved through local referendums (citizen turnouts). At the same time, implementation of the statute on staging local referendums is, in practice, accompanied by serious difficulties. In some cases, the spending required to prepare and stage a local referendum may be comparable, or even exceed, the sum of collected one-time citizen payments. A local referendum might not be staged at all. The practice of not allowing for exclusions to the mechanism of adopting decisions on self-taxation through local referendums alone is not always practical or economically justified.

In addition, contradictions exist between norms in the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation» and the requirements set by the Budget Code of the Russian Federation. The law establishes an exclusively targeted approach to spending self-taxation revenues. At the same time, article 35 of the Budget Code of the Russian Federation provides for the principle of a general (aggregate) provision for expenses, which stipulates that budget expenses must be covered by the general sum of budget revenues and resources coming from sources of deficit financing. Budget revenues and sources of its deficit financing may not be tied to specific types of budget allocations, except for revenues from targeted budget funds, targeted foreign credits, and also in case of a centralization of resources from other levels of budgets within the budget system of the Russian Federation. It is essential to bring federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation» in line with the Budget Code of the Russian Federation.

The law contains requirements for public hearings on municipal district's draft statutes, and also on draft municipal legal acts making changes and additions to these statutes. Based on the meaning of these requirements, any proposed changes and additions to the municipal district statute must be discussed through a public hearing process. At the same time, when changes and additions to municipal district statutes are dictated only by the need to bring them in line with current legislation, requirements for public hearings on such drafts would interfere with the quick alignment of these statutes with the Constitution of the Russian Federation, federal laws, and the constitutions and laws of the constituent entities of the Russian Federation. The predominant majority of municipal districts feature low turnouts for public hearings and display a lack of interest on the part of the population in the local self-government process. The Samara Gubernatorial Duma has submitted a draft federal law to the State Duma of the Federal Assembly of the Russian Federation outlining grounds for excluding public hearings from the general rule. Samara Gubernatorial Duma's position is supported by the opinions of Samara oblast bodies of local self-government.

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<sup>8</sup> Based on material of proposal to the report presented by Samara oblast Governor S. A. Sychyov.

The law allows a body of local self-government in a settlement, which is part of a municipal district, to reach an agreement with said municipal district on the transfer of a part of its authorities, with the settlement in return making subsidy payments from its budget to the budget of the municipal district. This law stipulates that such agreements must be reached for specific periods of time and contain provisions determining the grounds and procedure for the agreement's termination, premature if necessary, a procedure for setting the annual size of subsidies essential for the execution of the transferred authorities, as well as financial sanctions in case of non-compliance with the agreement.

A poll<sup>9</sup> of heads of legislative bodies of state power of 50 constituent entities of the Russian Federation, and an expert poll of 1,109 representatives of bodies of state power and local self-government in Stavropol kray, permit the drawing of certain conclusions on the course of municipal reforms. The need to pursue municipal reforms was confirmed by 96 percent of the polled heads of legislative bodies of state power of the constituent entities of the Russian Federation, and by 79 percent of the representatives of bodies of state power of local self-government in Stavropol kray.

Eighty percent of the heads of legislative bodies of the constituent entities believe that a lack of clear delineations of authority between bodies of state power and bodies of local self-government, and the insufficiency of funds for municipal districts to resolve local issues, were the main reason behind the current reforms of local self-government in the Russian Federation.

According to the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation», the constituent entities of the Russian Federation do not have the right to adjust the delineation or to redistribute authorities set between municipal districts, rural and city settlements, or those set between the bodies of state power and the bodies of local self-government. Sixty percent of the heads of legislative bodies of the constituent entities of the Russian Federation believe that they should win the right to redistribute authorities between municipal districts and settlements; 78 percent of the heads are convinced that they must have the competence to redistribute authorities between state and municipal bodies, accompanied by the assignment to municipalities of essential revenue source; and 56 percent of them believe that it is impossible to completely delineate authority between the bodies of state power and the bodies of local self-government — that there will always be issues which must be resolved together and in common.

Among the heads of bodies of local self-government, the majority spoke in favor of preserving joint spending authorities. Breaking down support shown for granting settlements the right to take part in the financing of district responsibilities: for the organization of school and pre-school education — 74.2 percent; for the organization of medical services — 73.2 percent; for the organization and utilization of waste management — 65.3 percent; for the organization of transportation services for the population between settlements — 64.9 percent; and for the organization of sporting events — 73.6 percent.

According to the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation», the list of issues of local significance may not be expanded by the constituent entity of the Federation. The bodies of state power of the constituent entities of the Russian Federation may use only one procedure for altering competences, and that is through the assignment of individual state authorities to the bodies of local self-government. Many of the authorities, first and foremost associated with the provision of state services to the population (social assistance for individual categories of citizens, registration of acts of civil status, organization of commissions devoted to minors issues), are difficult and inconvenient for the population to receive from the administrative center.

<sup>9</sup> By the Commission of the Council of Legislators on monitoring legislation and legal enforcement, jointly with the Stavropol kray center for legal monitoring of the Stavropol kray State Duma, within the framework of events staged during the monitoring of municipal reforms.

Depending on district particularities (large territory, remoteness of settlements from the administrative centers of municipal districts or kray and oblast centers, the absence of well-established transportation links between them), it becomes impossible to perform some state authorities from the kray or oblast center, while creating corresponding structural subdivision of district power is economically unviable.

At the same time, bodies of local self-government have secured a significant number of exclusive authorities that they must perform, and for whose successful execution they bear responsibility before the population and the state. The assignment of bodies of local self-government with state authorities occurs without prior municipal district agreement, and without consideration for their readiness to perform them. Some 84.5 percent of the expert poll participants believe it essential for there to be mandatory agreement with municipal district on regional draft laws that assign bodies of local self-government with state authorities. Some 48.1 percent of the respondents are convinced it is essential to reach agreements between state power bodies and bodies of local self-government on the procedure for implementing the transferred state powers.

It appears expedient to present the constituent entities of the Russian Federation with the right to assign certain delegated authorities to municipal districts as their own, by way of expanding the list of issues of local significance and assigning the required sources of revenue to local budgets. This would promote the municipalities' budget provision and improve the efficiency of their assigned authorities' performance.

The issue of creating municipal district controlling bodies is also filled with controversy. According to the stated law, the structure of bodies of local self-government is comprised of a representative body of the municipal district, the head of the municipal district, the local administration (the executive-administrative body of the municipal district), the controlling body of the municipal district, and other bodies and select officials of local self-government, as provided by the municipal district statute and having own authorities to resolve issues of local significance. It is mandatory for the structure of the body of local self-government to have a representative body of local self-government, the head of a municipal district, and the local administration. The obligation to create a controlling body is not provided for by this law. At the same time, provisions of the Budget Code of the Russian Federation give reason to assume that a controlling body must be created in each municipal district.

The federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation» provided for broad competence among the regions to exercise legal regulation of local self-government. This decentralization of regulating authority, according to many scientists and politicians, has not justified itself. The constituent entities of the Russian Federation proved to be disinterested in creating conditions for the efficient operation of municipal districts, due to the clear presence of competition over the delineated authorities, as well as over the available financial and material resources. Regulating taxes are often used subjectively, and sometimes for clear-out political goals. The old approach was economically and politically insolvent. With temporary targets that changed annually with the adoption of regional budgets, the more a municipal district earned, the more was taken away from it and placed in the budget of the constituent entity of the Russian Federation.

Eighty percent of the heads of legislative (representative) bodies of state power of the constituent entities of the Russian Federation and 50.6 percent of the representatives of state and municipal power of the Stavropol kray believe that federal laws should only establish the frameworks of local self-government organization, in accordance to which, the constituent entity of the Russian Federation must perform independent legal regulation, while taking regional particularities into account.

An analysis of problems facing municipal reform, which were identified in the course of monitoring of legislation and the practice of reform implementation in the constituent entities of the Russian Federation, lead to the following conclusions. Despite its entirely positive trend,

municipal reforms have serious omissions and deficiencies in legislative provision. Municipal districts have practically been included into a single vertical of executive power. Moreover, similar legal relations are occurring in regard to municipal districts, and city and rural settlements. Municipal districts' financial autonomy and constitutional independence have not been provided, and local self-government is ever more starting to resemble a local branch of the state's administration. For this reason, the time has come to change the very direction of municipal reform.

The situation of recent years in the sphere of small and medium-sized business demands considerable intensification of state policy in terms of the support and stimulation of entrepreneurship it provides in the constituent entities of the Russian Federation. The legislative foundation for development of the entire system of small-business support rests on the federal law «On State Support for Small Business in the Russian Federation». Many of its provisions have become outdated and contradict current civil, tax, and budget legislations, which is an unquestionable reason for the need to develop and adopt a new normative act. The Conception of state policy in support of small business development in the Russian Federation, considered at a State Council of the Russian Federation session on December 19, 2001, also proved to be inefficient in this sphere.

Energetic efforts must be made to stimulate the development of small business. It would be expedient to create a government commission on issues of small-business development in the Russian Federation that includes national business union representatives. Working in such a format, the commission could help create a consolidated and valuable program for small-business support, providing efficient control over its implementation.

Currently, the subject of and conditions for small business development are grouped among issues of local significance. The entry into force of the federal law «On the General Principles of Organization of Local Self-Government in the Russian Federation», which forces municipalities to eliminate their municipal nonresidential housing stock by 2009, sets up serious barriers to small business growth. In the Russian Federation on the whole, only 15 percent of small enterprises that have existed for less than three years, and 32 percent of small business that have been around for longer than three years, own their own property. The rest are unable to purchase their rented property in auction because they lack sufficient resources.

A massive privatization of non-core property under current ownership of municipalities is due to take place in the period running through 2009. It will take place without small business entities receiving any beneficial treatment. According to the federal law «On the Privatization of State and Municipal Property», the bodies of local self-government are not authorized to offer small business entities with any sorts of advantages during the sale of their rented state or municipal properties at open competitions or auctions.

Most small businesses, which for many years acted as honest renters of state or municipal property but lack required financial resources, will in essence be unable to keep their rented properties and production facility space. If no adequate measures are taken to provide legislative support for small businesses during this privatization, ones offering them privileged terms for buying out their rented properties, a significant drop in the number of small businesses will affect the regions. As a result, unemployment will grow from employees losing their jobs at these enterprises, which in turn will reduce the revenue bases of already fairly meager local budgets due to the loss of small business tax receipts.

It is extremely important to preserve a part of the municipal property for targeted small-business development, with corresponding restrictions linked to business conversion, categories, etc. One way for resolving this problem is to present small business entities (conscientious renters) with the opportunity to privatize their rented properties outside auctions. To avert this system's abuses, a three— or five-year monitoring could be introduced to ensure that the businesses are not converted or that the privatized properties are not resold.

In order to present small business entities with privileged rights during privatization of their rented state or municipal properties, changes should be made to the federal law «On the Privatization of State and Municipal Property» (or a draft federal law «On the Particularities of Small Business Entity Participation in the Privatization of State or Municipal Property» should be adopted). They must ensure the provision of targeted state support for small business entities by providing them with certain temporary advantages, which would be determined by law, during the privatization of their rented properties. Implementation of integrated measures of small and medium-sized business support is also possible by granting bodies of state power and local self-government with the authority to create targeted property funds, whose resources would be spent specifically on creating an affordable rental properties market intended for small business use.

Improvements in the federal normative legal base of small business development support must focus on: enhancement of licensing, registration and certification systems for small business entities; the adjustment and simplification of the inspection system; improvement of financial and credit administration of regional and municipal small business support programs, including through the creation of a system of credit guarantees and insurance for small business entities; and improvement in the normative-legal provision of innovative activity pursued by small businesses, including incentive mechanisms for such activity.

By the end of 2006, 63 constituent entities of the Russian Federation had approved and were employing regional legislative acts concerning state small business support.

Small business development in the Russian Federation has been identified as one of the priority tasks in the Program of Socioeconomic Development of the Russian Federation for the intermediate perspective (2006-2008). The central link in state regulation, and an important guarantee for the stability of the state's small business development policy, must be the adoption of the new federal law «On Small and Medium Sized Business Development in the Russian Federation». The measure is supported by the bodies of state power of the constituent entities of the Russian Federation. The President of the Russian Federation issued a corresponding instruction to the Government of the Russian Federation in March 2006. The law's adoption will promote greater business activity of both entrepreneurs and citizens, which should raise the number of small and medium-sized businesses and the number of staff they employ, build up the economic potential of small and medium sized enterprises, expand their tax base, and most importantly — increase their contribution to the country's gross domestic product.

The conception of this draft law has been agreed with the business community and the bodies of state power of the constituent entities of the Russian Federation. In their collective opinion, the new federal law must contain: the main principles of state policy on small and medium-sized business development; the organization principles for the infrastructure of small and medium-sized business support; and the authorities of federal and regional bodies of power, and the bodies of local self-government, in business development issues. The constituent entities of the Russian Federation and municipal districts must have the opportunity to offer additional types and forms of small and medium-sized business support, financed by regional and local budgets, and to establish further conditions giving small and medium-sized businesses, or their separate categories, the right to priority support from regional and municipal means and resources.

In addition, in order ensure efficient small and medium-sized business development, it is essential to improve legislation on issues tied to taxes, simplification of accounting procedures, acquisition and utilization of control and cash-register equipment, conduct of control and oversight measures, state and municipal property privatization, financial resource access, and specialized regulation of individual types of business activities. An additional measure of state support for small and medium-sized business development could come in the form of releasing small business entities from paying income taxes in the first two years of their existence. Such support measures are stipulated by the law of the Russian Federation «On Business and Organization Income Taxes».

The simplification of small business accounting practices represents one of the most promising means of improving the appeal of business activity. The development of small and medium-sized business is impossible without the elimination of administrative barriers, which are hardest-felt when control and oversight procedures are conducted against small businesses. In order to improve the state control system, the federal law «On the Protection of Rights of Legal Entities and Individual Entrepreneurs in the Conduct of State Control (Oversight)» should include changes aimed at eliminating inefficient state intervention in the economy, as well as at providing for the transfer of excessive state functions to self-regulating organizations.

In addition, a practical need has arisen to differentiate the terms «oversight» and «control». It appears that oversight must be viewed as a function of exclusive state body jurisdiction, while control — as a function that may be performed by other bodies or properly accredited market entities. Such a delineation will eliminate the direct or indirect financing of state control bodies by resources collected from entrepreneurs as a result of such inspections, and permit private companies to set up a competitive services market. This will require a restructuring of the system of organizations that perform testing, certification, and other types of control measures, as well as the development of an independent experts market, with the use of the current infrastructure of organizations performing state oversight functions.

Also worth reviewing are the fields of regulation covered by the federal law «On the Protection of Rights of Legal Entities and Individual Entrepreneurs in the Conduct of State Control (Oversight)», which has lost a significant portion of its control (oversight) functions. For example, some types of control (oversight) measures excluded from law's sphere of competence have no features that could provide for other types of control (oversight) measures other than those established by the law. This particularly concerns metrology control (oversight) measures.

At the same time, according to the business community, two-thirds of all inspections are made by bodies whose activities are not covered by the federal law «On the Protection of Rights of Legal Entities and Individual Entrepreneurs in the Conduct of State Control (Oversight)» — for example, those conducted by interior ministry or tax authorities. It is essential to examine the issue of including provisions in this law linking issues of legitimacy, frequency and types of control (oversight) to the potential dangers to the entity being subjected to this process. Such measures could reduce the number of excessive and unjustified interventions on the part of bodies of state power into legitimate business activity, and to guarantee a better level of protection for the companies undergoing inspections. Also of great importance is work on improving issues of accountability by the inspecting bodies and individuals, particularly agencies of the interior ministry, which are the subject of the greatest number of reasonable complaints filed by small business entities.

One of the biggest factors responsible for the growth of small businesses is its access to financial resources. It is essential to assume work on improving legislation linked to the activities of non-banking deposit-credit institutions (NDCI). A significant portion of the credits issued by these institutions are provided to small businesses. Micro-financial organizations also cover a part of small businesses' financial needs. This concerns credits ranging from 3,000 rubles to 300,000 rubles. The average size of a credit issued in the Russian Federation is 40,000 rubles. Development of the micro-finance sector of services is being restrained by deficiencies in the normative legal base and the absence of legislative frameworks for micro-finance.

Proposals on resolving problems tied to non-banking deposit-credit institution activities, while stimulating their credit provision to small business, include: providing them with the right to conduct cash operations; expansion of the list of people approved by the Central Bank of the Russian Federation to act as heads and chief accounts for NDCIs, so that in addition to banking experience, general financial experience would be credited to their work histories; and reducing the number of mandatory accounting operations that NDCIs must perform compared to other banking operations. The creation and development of micro-financing organizations will be largely promoted by the adoption of the federal law «On Micro-Financial Organizations»,

which is aimed at creating legal frameworks for micro-financial organization activities, determining the particular characteristics of this activity, creating mechanisms for insuring the risks of micro-financial organizations, and ensuring their access to the credit history bureau. This draft law is currently being prepared by the Government of the Russian Federation.

Taking into account that a considerable portion of venture and innovation enterprises are small and medium-sized business entities, it is necessary to especially underline the importance of creating and developing a normative legal framework in the venture investment and innovative enterprise fields. The President of the Russian Federation observed the need to create favorable business conditions for innovative business development in his Address to the Federal Assembly for 2006.

One of the most important directions of business support involves work on the revival of artisan crafts as an integral part of small and medium-sized business activity. As the experience of many world countries shows, artisan crafts are an essential sector in any national economic system. In addition to economic tasks, artisan crafts perform many social functions.

The constituent entities of the Russian Federation are involved in creating a beneficial climate for business development. Thus, for example, the Krasnodar kray has created an efficient legislative framework for small and medium-sized business support and creation of the most favorable conditions possible for its development. A December 14, 2005 Krasnodar kray Legislative Assembly resolution approved a targeted program of state support for small businesses in the kray for 2006-2008, setting the priority directions of state support for small business. The program incorporated's resolutions from the head of the Krasnodar kray administration, which determine both the priority directions and legal framework of the small-business support system's organization in the kray.

The kray now has a functioning infrastructure of small-business support, which includes: kray (under the Krasnodar kray administration) and 45 municipal (under the heads of municipal districts) business councils; regional and 39 territorial small-business development programs; 38 territorial centers for small-business support; innovative technology parks; the kray Business Education Center, under the auspices of Kuban State University; a network of infrastructure objects supporting small business entities at their initial stages of operations (business-incubators); and communication centers (telephone «hotlines»), which operate in every kray municipal district. Each of the kray's 48 municipal districts has staged conferences on problems affecting small businesses, and a registry is underway of available properties that could suit small business entities.

The kray's «one window» service provides support services for investment projects: it coordinates the required approvals for the registration of land rights documents, construction rights, various types of business licenses, and other business-related activities. The kray has created a statistical monitoring program over small business entity activities, which helps monitor small business development in cities and kray districts, analyze the efficiency of ongoing business development efforts, and coordinate the financial and economic municipal district parameters. In 2006, more than 4,500 small business projects passed through the «one window» service, which secured some 2,000 ordinances of various kinds.

Small business entities are receiving subsidies for interest payments on loans from credit organizations; state guarantees are being issued to small business entities on loans from Krasnodar kray's authorized banks; small business entities' access is being provided to licensing company services through the issue of special-service loans; and both financing and micro-financing is being released for small business entity projects (including those involving new technologies).

One of the most important measures for small and medium-sized business support and development involves the creation of legal conditions for regulating the consumer market in the Russian Federation. The Russian Federation's consumer market is developing at a rapid pace, growing by 9-11 percent annually over the past five years. The sector's energetic development has guaranteed

employment of 11 million people, or more than 14 percent of the country's entire employable workforce. This growth is built around enterprises involved in retail, catering and related operations, as well as public services, which all occupy the top spots on the list of the most profitable sub-sectors of the Russian economy (between 70 and 72 percent of their enterprises making a profit), with competition only coming from pipeline transport companies (81 percent), the gas industry (75 percent) and communications. At the same time, it is important to note that the depreciation level at these companies is no higher than 30 percent. The rate of new shopping space construction remains high (70-75 percent). The consumer market is making a serious contribution to the annual gross domestic product growth. However, despite proposals and collective initiatives from regional government and business representatives, Russia still lacks a single direct-action document setting the form and method for state control over the consumer market.

Problems with the sector's lack of transparency and an inability to appraise the consumer market's general parameters remain unsettled. The Federal State Statistics Service's data diverged from that of independent experts by 100-150 billion dollars. Currently, a joint position is being formulated concerning the need to adopt a federal law that regulates areas of retail trade, catering and related operations, and consumer service in the Russian Federation. The adoption of such a law would help implement a systemic approach to regulating the consumer market against the backdrop of ongoing administrative reforms; close legal regulation loopholes in the spheres of retail trade, catering and related operations, and consumer service; clearly delineate authorities between various levels of power and determine the main limits of their intervention in economic entities' activities; and set conditions for creating a single economic and legal space in the Russian Federation, taking local circumstances and regional characteristics of economic development into account.

The harmonization of interethnic relations remains one of the key components for future development of the Russian Federation. The ethnic policy of the Russian state has been one of the most important components of state policy throughout the country's entire history. In current times, the conduct of a state ethnic policy is gaining especial importance. This was reflected in the Conception of State Ethnic Policy of the Russian Federation, as well as in a series of federal laws. Thus, the federal law «On Ethnic-Cultural Autonomy» created legal forms of cooperation between society and the state in protecting the ethnic interests of Russian Federation citizens during their selection of the ways and forms of ethnic-cultural development.

The institution of ethnic-cultural autonomy is a new civil society institution for the Russian Federation. The institution has been established and citizens are actively employing the laws it provides, which is confirmed by nearly five years of ethnic-cultural autonomy practice. As of today, the justice ministry has registered 12 federal, more than 100 regional and around 200 local ethnic-cultural autonomous entities.

However, the practice of implementing the federal law «On Ethnic-Cultural Autonomy» shows that interpretation and, consequently, enforcement of its individual provisions is causing serious difficulties. In particular, this concerns the law's recognition that ethnos characteristics serve as grounds for autonomy. The mechanism for registering ethnic-cultural autonomy also needs to be adjusted, especially at the local and regional levels. A requirement stating that at least two organizations of a given ethnicity make up an ethnic-cultural autonomous entity is for the large part artificial.

The state is consistently following the course of improving the circumstances of all nationalities and peoples of Russia, including its indigenous minorities. Laws of the Russian Federation «On Languages of the Peoples of the Russian Federation», «On Education» and «Legislative Frameworks of the Russian Federation on Culture» regulate cultural development issues of all the peoples of Russia, including the indigenous minorities. In 1999, the federal law «On Rights Guarantees of the Indigenous Minorities of the Russian Federation» was adopted, in 2000 — the federal law «On the General Principle of Organization of Communities of Indigenous Minorities of the North, Siberia and the Far East».

According to the Land Code of the Russian Federation, the locations of residence and economic activity of minority peoples and ethnic groups may acquire special-use status for legally identified categories of land. The Land Code offers the opportunity to stage referendums in lands provided in locations of residence and economic activity of minority peoples and ethnic groups for purposes not associated with their economic activities and under objects that concern these peoples' interests. In addition, minority peoples and ethnic groups were given the opportunity to use lands that are part of environmental protection zones, reserves and forestry funds for deer herding, hunting and traditional ethnic land use.

The Forestry Code of the Russian Federation contains special norms that release indigenous minority representatives from paying for personal forestry fund use. The law of the Russian Federation «On Subsoils» stipulates that a part of the subsoil use payments made to budgets of constituent entities of the Russian Federation located in areas where indigenous peoples and ethnic groups live, be allocated to these groups' socioeconomic development.

The federal law «On Wildlife» protects the rights and interests of indigenous peoples on environmental use issues. The law of the Russian Federation «On State Guarantees and Compensations for People Working and Residing in Regions of the Extreme North and Equivalent Areas» significantly broadens the social benefits provided to indigenous peoples.

The federal law «On the Continental Shelf of the Russian Federation» has provided privileged access to the continental shelf's living resources for indigenous peoples and ethnic communities of the North and the Far East whose ways of life and economies traditionally depend on utilizing living resources. The rights of individuals who are a part of indigenous groups in many ways correspond in content to the collective rights enjoyed by indigenous groups. At the same time, there are certain rights that may be exercised only by individuals.

Adopted in 2000, the federal law «On the General Principles of Organization of Communities of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation» allowed for the voluntary creation of communities and other indigenous peoples unions for the purpose of their socioeconomic and cultural development, protection of the native land of residence, as well as traditional ways of life, husbandry and trade. The law opens the way for quotas to be set for indigenous minorities' representation in the legislative (representative) bodies of the constituent entities of the Russian Federation and representative bodies of local self-government.

At the same time, the legal framework of ethnic relations, which was created in the early 90s of the last century, does not fully correspond to today's needs. A national policy in this area is only outlined within the frameworks of the Conception of State Ethnic Policy of the Russian Federation, confirmed by the President of the Russian Federation in 1996. Currently, a draft law is circulating in the State Duma «On the Foundations of a State Ethnic Policy of the Russian Federation», which has still not been adopted. A continued delay of this issue threatens to promote the rise in popularity of radical ideas, which are being pronounced in some regions, on consolidating the representation of ethnic interests at a federal level, including by way of creating a constitutional body that represents all the peoples of Russia.

Much has changed in the inter-ethnic sphere over the past 10 years; a number of the problems have lost their relevance, while new ones require immediate responses from the state. This circumstance became one of the main reasons behind the creation in 2006, on the initiative of the Council of Federation, of a Joint Commission on ethnic policy and relations between the state and religious organizations. As a basic working direction, the commission was entrusted to create a national system for monitoring the ethno-political situation in the country, to analyze this sphere's legislation and prepare proposals for its improvement. An important assignment for the Joint Commission involves its participation in the development in a new Conception of state ethnic policy for presentation to the head of state.

As of today, the normative base of the constituent entities of the Russian Federation, according to the federal register, is made up of more than 235,000 normative legal acts. Regional legislation

is not uniform. At the same time, the biggest problems affecting legislative activity of the constituent entities of the Russian Federation are still: the absence of consistency in adopted legislative acts, changes being made to various legislative acts of a single law or into a set of laws, the narrowness of themes encompassed by individual legislative acts, their adoption concerning relatively trivial, private issues, and a lack of attention paid to the preparation of codified acts.

Legal acts regulating conditions for implementing legislative initiatives of the constituent entities of the Russian Federation must be changed, making the procedure for introducing draft laws and timeframes for their examination favorable to their future implementation. To this day, still untouched are problems concerning the provision of information to legislative (representative) bodies of the constituent entities of the Russian Federation on the fates and results of petitions made by these constituent entities of the Russian Federation to any of the federal bodies of state power.

In many constituent entities of the Russian Federation, control over the enforcement of legislative acts is part of scheduled activity — review of control issues is envisioned by the annual legislative plans of legislative bodies of power and their standing commissions. A tendency is being witnessed of improvements in the number of control issues coming under review and in the quality of this process. At the same time, deputies' planned and multilateral control over the enforcement of laws of the constituent entities of the Russian Federation and other legal acts of bodies of state power, has proven to be one of the most efficient ways for implementing socioeconomic development strategies in the regions and for achieving planned reforms. Expansion of regional public chamber duties, for its part, could promote efficient legislative monitoring in the regions, and help gauge public opinion during development of draft laws that are of greatest interest to the country's public political life.

Not all bodies of power of the constituent entities of the Russian Federation treat the modeling of regional legislation as work that requires a systemic approach. For some, it is considered far more important to concentrate all resources on the solution of current problems — attracting financial resources to the regions, receiving federal fund resources, etc. For them, it is still not evident that the system of regional legislation is an additional resource for strategic development.

## **2.2. Role of constituent entities of the Russian Federation in improving the legal system**

At the present stage of Russian development, there is an objective need to undertake the comprehensive and systemic organization and execution of domestic legislative monitoring and legal enforcement analysis. In order to create a quality legal field, special attention should be paid to the planning of draft law activity, taking into account the strategic goals of state policies, as they are determined by the President of the Russian Federation for the long-term prospect. In a federal state, strategically oriented legislative activity is impossible without the regular performance of a comprehensive analysis of lawmaking activity and legislative enforcement, both on the federal level and in the constituent entities of the Russian Federation. Today, regional bodies of state power are also joining this process. A growing number of regional parliaments are creating their own monitoring services and presenting the results of their own work in the form of public reports.

Legislative bodies of power of the constituent entities of the Russian Federation, in the process of improving the concept of legislative support of the priority directions of state policy, are together with the Council of Federation forming a rigorous, efficient regulatory legal framework for the regions, which ensures the planning of long-term and resolution of current state policy tasks. An essential role in the coordination of this activity is played by the Council of Legislators. An efficient tool for achieving these tasks is the monitoring of legislation and