

The state regional debt as a factor of electoral behavior

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Abstract - In the article the need is shown to find qualitatively new ways to solve the problem of budgetary security of the constituent entities of the Russian Federation and reduce social tensions in the regions. In recent years, the economic differentiation between the regions of the Russian Federation has increased, the deficit and the total debt of regional and municipal budgets are growing. The problem will be solved by reducing the budgetary employment, schools, hospitals, social expenses, that will strengthen discontent of the population, which is already provoked by unpopular pension reform and the tax measures, it will end up with bad results of citizens vote on regional executive authorities elections. In order to smooth the growing economic differentiation between the regions of the Russian Federation, to reduce the deficit and the total debt of regional and municipal budgets, it was proposed to analyze the causes and negative social consequences of the growth of the regions' debt burden. The study of the impacts of budgetary security of the Russian Federation regions on social instability and the results of the elections of the executive authorities will allow the development of a roadmap of activities aimed at reducing social tensions in the regions, easing of the tension and competent planning of the election campaign.

Keywords — *state regional debt; budget security; debt burden of the subjects; social tensions; electoral behavior*

I. INTRODUCTION

The relevance of the research topic is substantiated by the growth of the public debt of the Russian Federation in the coming years and the need to find qualitatively new ways of the problem of fiscal security of the constituent entities of the Russian Federation. In this regard, the research of influence of fiscal capacity of the region on results of executive authorities selections is justified by need of decrease of social instability in region.

At present, few research organizations are engaged in the study of the interrelationship of the state regional debt, social instability and behavior of the electorate in Russia. In scientific studies, the main emphasis is placed on the need to find additional sources of repayment of regions' debts, and not on the negative social consequences of the growth of the debt burden.

The study of the problem of the budgetary security of the Russian Federation regions is dealt with by such scientists as: V. Vrublevskaia [1], A. M. Godin, I. V. Podporina [2], G. B. Polyak [3], N. Romanovskiy [1] and others

The purpose of the study is to investigate the relationship of budgetary security of the Russian Federation regions with the results of the executive authorities election.

The objectives of the study are:

- 1) to study the dynamics and sources of public debt of the Russian Federation;
- 2) to assess the budget security of the Russian Federation regions on the basis of published statistical data;
- 3) to identify the relationship between the budget security of the Russian Federation regions with the executive authorities election results;
- 4) to analyze the consequences of the growth of the debt burden of the Russian Federation regions, tracing its connection with social instability in the regions.

II. MATERIALS AND METHODS (MODEL)

For the analysis of interrelation of fiscal capacity of regions of the Russian Federation and results of elections of executive authorities, for assessment of consequences of growth of a debt load of territorial subjects of the Russian Federation and assessment of its communication with social tension in regions the authors used methods of scientific abstraction, grouping and comparison, the statistical and financial analysis, a graphic method.

III. RESULTS AND DISCUSSION

One of the sources of financing national priority projects in the Russian Federation in the coming years is the public debt growth, the government will have to find an additional at least 8 trillion rubles. In total, it is proposed to spend 1,685.5 billion rubles on national projects in 2019, 1,862.7 billion rubles in 2020, 2,084.8 billion in 2021. In 2019-2021, Russia will take to implement the new May decree [4] 1.7 trillion rubles, which is why the national debt will exceed 16% of GDP. According to the Ministry of Finance's forecast, the state debt will increase from 14% of GDP in 2018 to 15.3% in 2019, to 16.4% in 2020, and to 16.6% in 2021 (Fig. 1). This amount of public debt is recognized as "economically safe." At the same time in the amount of the state debt of the Russian Federation for 2018. the share of regional debt is 19.4% (2.055 trillion rubles - these figures include only the debts of the regions; not include the debts of municipalities).

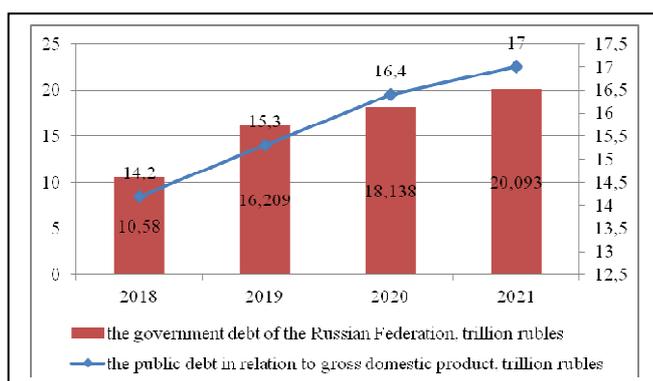


Fig 1. The dynamics assessment of the public debt volume of the Russian Federation (including regional public debt) in relation to GDP for 2018-2021. (forecast)

In 2019 there may be budget risks associated with external sanctions and unsatisfactory budgetary security of the Russian regions. The resources of the Reserve Fund of the Russian Federation were almost exhausted in 2017 [5], in connection with which foreign loans become the only source of covering the federal budget deficit. Since 2018 the Backup Fund of the Russian Federation, created in 2008 year as a state reserve, formed to cover the budget in case of a decrease in revenues, it does not exist as an independent unit, but as part of the National Welfare Fund (NWF) of Russia. The merger of two differently designated funds allows the government to use funds for various targeted programs, while the sources of

replenishment remain the same. In 2019 year the government expects to replenish the state reserve and promises not to spend the accumulated funds. The use of the NWF to finance the federal budget deficit in 2019-2021 is not planned.

In 2019, experts predict a significant shortfall in budget revenues, and an excess of the expenditure [6]. At the same time, the government has already used every opportunity to cut costs (for example, by reducing the growth rate of funding for a number of social programs), which did not bring any tangible result. The federal law "On the federal budget for 2018 and for the planned period of 2019 and 2020" provides for a reduction by 2020 compared to 2017. financing of the program "Improving the efficiency of state support of socially oriented non-profit organizations" by 43%, the "National Economy" section will decrease by 14.3% (0.6 percentage points of GDP), "housing and public utilities - by 37.3%," "Education" - by 7.2% (0.1 percentage points of GDP), "Health care" - by 3.8%, and "Social policy" - by 14.6% (1.1 percentage points of GDP) [7].

The Ministry of Finance plans to place federal bonds (OFZ) at 2.47 trillion rubles in 2019, in 2020 at 2.42 trillion rubles, and by 2.6 trillion rubles in 2021. The volume of budget allocations for the debenture stock redemption in 2019 will amount to 720.2 billion rubles, in 2020 - 579.7 billion rubles, in 2021 - 984.5 billion rubles. The government plans to use internal sources instead of external loans in case of strengthening of sanctions [8]. The economic policy of the Russian Federation has a tendency to accumulate of large budget risks. At some point, the state may be faced with an inability to attract borrowed resources in sufficient quantities and under acceptable conditions.

Reduction of regional budgets deficit from 97 billion rubles in 2019 up to 36 billion rubles in 2021 is planned. The total budget deficit of the regions should not exceed 0.01–0.05% of GDP. At the same time, a certain concern is caused by the tendency to reduce the real volume of interbudgetary transfers to the regions (from 1.85% of GDP in 2017 to 1.44% of GDP in 2020), which will lead to a reduction in the total real income of regional and local budgets, growth of budgetary inequality, as well as further reduction of the investment component of budget expenditures of regions and municipalities. The regions with the smallest level of fiscal capacity can suffer from it (the republics of the North Caucasus, Altai Territory, the Republic of Tyva, Kamchatka Territory, the Republic of Kalmykia, Chukotka Autonomous District, the Republic of Buryatia, etc.). This indicates that the sources of financing the regional budget deficit will be securities and loans of credit institutions. The Ministry of Finance did not explain how the regions' debt would be extinguished, which, according to the Accounts Chamber, as of 01/01/2018 amounted to 2.3 trillion rubles. Fitch analysts believe that in 2019 the revenue of regional budgets will be threatened by a slowdown in economic growth, and the plans of the government to increase the incomes of the population and combat poverty are dangerous for the expenditure of budgets. 72 regions of Russia in 2019 receive are subsidies,

and only 13 regions are donors. Such uneven financial potential of the Russian Federation regions leads to serious social tensions and the separation of Russia into rich and poor regions.

The number of the Russian regions which are in a so-called "red zone" (the debt exceeds own income of the regional budget), for 2018 was reduced from the 8th to 5 [9], the list of the most loaded regions included Mordovia (the relation of a regional debt to a tax and non-tax income of its budget made to 246.8%), Karachay-Cherkess Republic (100.3%), Kostroma Region (119.1%), Oryol Region (98.2%) and the Jewish Autonomous District (97.8 %) [10]. In accordance with the rating of the Russian Federation regions, the level of debt burden in 40 regions exceeds half of the regional budget's own revenues. In the Volgograd region it is 77.3%. In such regions will arise and sharpen social instability because of problems of contradictions between reduction of regional budgets deficit with need of search of sources for implementation of May Decrees of the President. The regional authorities have to make a choice between refinancing of government debt and salaries to state employees. Events for increase in the salaries are held after painful "optimization" of educational and medical staff, which strikes at "Putin electorate", what brings to bad vote on elections.

In some problem regions with budgetary credits more than 80% of region budget income, "treasury maintenance" is entered (Kostroma Region, Khakassia). Because of the large volume of accumulated debt, they can only spend money under the control of the Federal Treasury, which means the introduction of external management of the regional budget and public debt. Against this background electoral events in the Khakassia acquire an additional explanation.

In September 2018 in 21 Russian regions took place elections of heads of the Russian Federation districts: the Republic of Sakha (Yakutia), the Republic of Khakassia, the Altai Territory, the Krasnoyarsk Territory, the Primorye Territory, the Khabarovsk Territory, the Amur Region, the Vladimir Region, the Voronezh Region, the Ivanovo Region, the Kemerovo Region, the Magadan Region, the Moscow Region, Nizhny Novgorod Region, Novosibirsk Region, Omsk Region, Oryol Region, Pskov Region, Samara Region, Tyumen Region, and Chukotka Autonomous District. It should be noted that in 11 of them the level of debt load exceeds 50% of regional budget revenues. For example, in the Oryol Region - 98.2%, in Khakassia - 95%, in the Chukotka AD - 92.7%, in the Pskov Region - 93.6%, in the Magadan Region - 78% [10]. In this regard a question of regional debt sources and instruments of service and overcoming a debt burden is especially important, because the budgetary problems lead to bad vote on elections of regional authorities (for example, in the Ulyanovsk Region, Vladimir, Khakassia, Primorsky and Khabarovsk Territory) (Table II.).

TABLE I. "Problem" subjects of the Russian Federation in which elections of the governor and the Regional Duma in 2018 were held, and the budget situation in these regions

The subject of the Russian Federation	Head of the region	The volume of public debt of the subject, billion rubles.	The ratio of public debt of the subject to the income of its budget in 2018,%	The ratio of public debt of the subject to the income of its budget in 2017,%	The share of budget loans in the total volume of public debt of the subject of the Russian Federation for 2018,%	The share of commercial loans in the total volume of public debt of the subject of the Russian Federation for 2018
Ulyanovsk Region	Morozov S. («United Russia»)	25,1	59,2	63,6	44	35
Vladimir Region*	Sipagin V.V. (LDPR) - second round	4	9,5	10,8	100	0
The Republic of Khakassia*	Konovalov V. O. (CPRF) - second round	22,8	95	136,4	61	0
Primorsky Territory	Kozhemya ko O. - repeated elections 12/16/2018	5,4	6,6	5,8	70	0
Khabarovsk Territory*	Furgal S.I. (LDPR) - second round	49,6	67,3	59,1	32	68

* in these regions, the level of debt load exceeds 50% of regional budget revenues

Regional elections September 9, 2018 clearly demonstrated the seriousness of the problem we identified: in 4 constituent entities of the Russian Federation candidates agreed and supported by the government were not elected in the first round and lost to agreed candidates from the Communist Party of the Russian Federation and the Liberal Democratic Party candidates, lost to candidates who couldn't pose a serious threat. The elections in Primorye were invalidated, repeated elections were held in early December. The candidates from the Liberal Democratic Party in the Vladimir Region and the Khabarovsk Territory defeated acting governors in the second round. The head of the Khakassia republic has resigned without waiting for the second round of elections. By the way, three quarters of cases occurred to the long working governors (the heads of Khakassia and Khabarovsk Territory directed regions since 2009, and the head of the Vladimir Region - since 2013). The voters showed perseverance in the second rounds, which led to the resignations of the acting regional heads. Of course, this cannot be called only an insignificant temporary failure in the

management system that has been working for years. There is an obvious link between the situation in the budget sphere of the region and electoral defeats of ruling power.

The share of budget loans in the structure of regional public debt continues to increase. At the beginning of 2018 they accounted for 43.64% of regional commitments, by the end of this year their specific gravity rose to 51% (a year earlier this indicator was 42.09%). At the same time, the share of commercial loans decreased from 29% to 19%. In 2018 the program of granting the budgetary credits to regions with a preferential rate is closed, it was replaced by the program of regional debts restructuring: since 01.01.2019 the 7-year program of restructuring of the budgetary credits of regions which budgetary financing will make 55 billion rubles was started. In the first two years the regions will need to pay each year only 5% of their debt, which, according to the Ministry of Finance, will allow entities to free 438 billion rubles. In the federal budget for the current year 50 billion rubles which can be provided to regions as the emergency short-term loans on a covering of cash breaks will be put. Nevertheless, the total volume of regional loans during the 9 months of 2018 increased by 89 billion. Thus, the federal center continues to grant the cheap budgetary loans to regions, however the amounts of financing are gradually reduced. The weak regions can count on preferential budgetary financing, but strong regions must look for other sources of debt financing.

The bank credits share in structure of a national debt of regions continues to decrease (34.36% - in 2016, 28.81% - in 2017, 19% - in 2018). The share of the state debt securities, on the contrary, grows (19% - in 2016, 23.6% - in 2017, 27.39% - in 2018) [11]. This trend demonstrates great attraction for regions of government debt securities compared with bank crediting.

The system of regional finance of the Russian Federation, according to the rating agency S & P, is not stable and balanced [12]. The low predictability and frequent changes in the taxation mechanism, low ability of regions to influence the federal government's policy regarding regional finance, high vertical and horizontal imbalances of incomes and expenses, poor leveling of budgets and low predictability of transfers from the federal budget [13] are negatively affects to regional indicators. The fiscal rules for regional and local governments (RMG) don't prevent the accumulation of high debt, high deficits, and untimely debt payments [14].

At the same time in September, 2019 will come to an end powers of 14 of 29 regional chapters chosen in September, 2014 in direct elections (the rest are dismissed in 2016-2018) and 2 chapters chosen in indirect elections (the third regional head is resigned in 2016). The 08.09.2019 – the single election day in the following regions (Table II).

TABLE II. The subjects of the Russian Federation in which will be held elections of the governor and the Regional Duma in 2019, and the budget situation in these regions

The subject of the Russian Federation	Head of the region	The volume of public debt of the subject, billion rubles.	The ratio of public debt of the subject to the income of its budget in 2018,%	The ratio of public debt of the subject to the income of its budget in 2017,%	The share of budget loans in the total volume of public debt of the subject of the Russian Federation for 2018,%	The share of commercial loans in the total volume of public debt of the subject of the Russian Federation for 2018
Direct election						
Altai Republic	Berdnikov A.V.	1,4	38,9	45,2	100	0
Kalmykia	Orlov A.	4,9	93,4	75,2	52	48
Stavropol Territory	Vladimirov V.V.	27,7	44,3	61,0	75	0
Bashkortostan	Habirov R.V.	16,6	10,3	13,8	77	0
Astrakhan region	Morozov S.P. (Acting Governor)	23,1	72,2	97,4	66	34
Volgograd Region	Bocharov A.I.	52,5	77,3	88,9	47	23
Vologodsk Region	Kuvshinnikov O. A.	23,5	39,3	47,1	73	26
Kurgan Region	Shumkov V.M. (Acting Governor)	16,6	90,0	92,7	32	68
Kursk Region	Starovoy R.V. (Acting Governor)	9,9	25,7	25,8	87	0
Lipetsk Region	Artamonov I.G. (Acting Governor)	12,7	26,0	37,9	53	20
Murmansk Region	Kovtun M.V.	21,6	41,6	38,2	64	33
Orenburg Region	Berg Yu. A.	24,9	38,4	45,6	54	0
Chelyabinsk Region	Dubrovsky B. A.	16,2	12,3	13,3	60	0
St. Petersburg	Beglov A. D. (Acting Governor)	33,1	6,2	7,1	9	0
Indirect elections						
Crimea	Aksyonov S.V.	4,3	1,8	9,2	93	0
Kabardino-Balkaria	Kokov K. (Acting Governor)	10,2	90,1	124,0	80	17

It should be noted that in 5 of these regions, the level of debt load far exceeds 50% of regional budget revenues (Kalmykia, Astrakhan Region, Volgograd Region, Kurgan Region, Kabardino-Balkaria). In these regions before the upcoming elections is a clear trend of accumulation of large social and budget risks.

The growth of a debt load of Russian regions happened for the following reasons:

- the considerable debts of regional budgets which are saved up because of the wide system of the regional privileges provided by former governors,
- it is necessary to comply with the May Decrees of President of the Russian Federation;
- the regional obligations for preparation to the FIFA World Cup.

While the President of the Russian Federation has the opportunity to take unpopular measures, the sources of state debt service are:

- the state debt securities;
- the deposit base of natural persons estimated by experts at 26.9 trillion rub [15];
- the investments of oligarchs which because of the western sanctions a part of money returned to Russia and invested for the purpose of legalization;
- the growth of tax rates,
- the raising the retirement age.

IV. CONCLUSION

The economic differentiation between the regions of the Russian Federation, the growth of the deficit and the growth of the total debt of regional and municipalities budgets is increasing. The problem will be solved by reducing budget employment, by reducing of schools (optimization started in the 2000s), by reducing of hospitals (the process was actively started in health care in the 2010s), by reducing of social spending. It will provoke an increase in public discontent caused by unpopular pension and tax measures, and will provoke the protest vote of voters in the upcoming elections of the regional executive bodies.

In this regard, the analysis of the interrelation of the budget security of the region with the results of the election of the executive bodies is justified by the need to reduce social tensions in the regions, to reduce the heat of the upcoming political struggle in September 2019 election and will help to plan the election campaign correctly.

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