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## WAYS OF MOBILIZING FUNDS FROM THE POPULATION BY MUNICIPALITIES: FOREIGN AND RUSSIAN EXPERIENCE

### Abstract

It is generally recognized that local self-government is the most effective way to meet the basic socio-economic needs of the population. It is local self-government that takes on those public law functions that, by their very nature, cannot be realized by the forces of the state.

The existing mechanisms of interaction between the state and local self-government are built on the basis of the principle of subsidiarity, aimed at supporting local budgets by the state, but they cannot always ensure sufficient and timely replenishment of local budgets.

So, for example, we are left to conclude that local government is unable to influence such parameters as the collection and distribution of taxes. Although tax revenues are partially distributed in favor of local government, municipalities are often forced to look for sources of additional funding, which can be carried out at the expense of the population.

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The article aims to analyze the existing mechanisms for mobilizing funds from the population by municipalities in the world in general and in Russia in particular.

**Key words:** municipal budgets, mobilization of funds from the population, participatory budgeting, revenues of municipalities.

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## 1. Introduction

The issue of mobilizing financial resources of the population by municipalities is closely related to global problems, the set of which was outlined in 1976 at the First UN Conference on Human Settlements (Habitat I). The conference resulted in the founding of the UN-Habitat program in 1978, which was constituted to provide solutions and coordinate human settlements development in the United Nations system, focusing on two priorities: ensuring adequate shelter for everyone and sustainable urban development. Ensuring sustainable development of territories and meeting the daily needs of the population are within the competence of local self-government, the social nature of which predetermines the need to involve the population in management processes.

The preamble of the European Charter of Local Self-Government calls local self-government one of the foundations of the constitutional order, and together with the right of citizens to participate in the management of public affairs, classifies local self-government as one of the basic democratic principles [European Charter of Local Self-Government].

Thus, it is obvious that local self-government, being one of the structural elements of the system of public power in the state, is associated with the basic democratic principles of the right to citizens' participation in the management of state affairs.

In addition to its managerial significance, manifested in the fact that local self-government is one of the constituent elements of the system of public authority, the substantial aspect of local self-government is of considerable interest. The need to recognize and introduce guarantees for the protection of local self-government into legislation is explained by its very existence. By the Decree of the Constitutional Court of Russia of 04/26/2016 No. 13-P, the purpose of local self-government is disclosed as follows: "the most effective implementation ... of the tasks of observing and protecting the rights and freedoms of man and citizen ... living in the relevant territory" [Constitutional Court of Russian Federation: 13-P/2016].

Rationally organized local self-government makes it possible to effectively use local resources, relieve social tension in society and increase public confidence in the authorities.

Regardless of the aspect in which local self-government is viewed, whether as the inherent right of the population by its nature to manage affairs of local importance, recognized as one of the foundations of the constitutional system, or as an element of the public power system that ensures the most effective implementation of the tasks facing public authorities, it is obvious that the first task is to ensure the proper functioning of local government. It is no wonder that the European Charter of Local Self-Government contains a direct indication of the real ability of local self-government bodies to regulate and manage a significant part of public affairs [European Charter of Local Self-Government].

The right of the population to exercise local self-government is largely based on the obligation of the state to provide an opportunity for the implementation of such a right. One cannot disagree with the conclusion of F.M. Borodkin that state power is obviously stronger than local self-government, for the reason that it controls a significant part of national resources. This forces many subjects of various activities to reckon with state power. In addition, only the state is able to provide universal protection for all and general social order on its territory [Borodkin 1997].

Obviously, no activity can be carried out without sufficient funding. European Charter of Local Self-Government establishes the following principles for financing local government (art. 9): adequacy; proportionality to the delegated powers; availability of tax revenues; variety and flexibility of income; receiving grants, subsidies from other budgets.

These principles guide states to create the conditions for financial support of municipalities, at the same time it cannot be said, that in all states these issues are resolved in the same way. Overall distribution of resources depends on the order of distribution and the degree of decentralization of state functions.

For efficiency reasons, higher government should provide “clean” public goods, which are services that are available to all citizens, whether or not they contribute to the system i.e., defense. Lower-level government should be responsible for services that bring benefits to local consumers. In such cases, positive externalities are generated [Papcunová, Hudáková et al. 2020]

In the Russian Federation, despite the federal structure, there is a problem of excessive centralization of functions at the state level and program (target) methods of financing rationing... The difference between the traditional and program budgets is that in the

latter, almost all expenditures are distributed according to state programs, and each program, in turn, is linked to priority areas of state policy and the expected results of its implementation [Zhukova, Serkova 2015] Currently there are 46 state programs implemented in the Russian Federation.

In relation to municipalities, there is a tendency towards their enlargement and their even greater distancing from the population, since the existing tax posts not enough to fund their functions, and this means that the dependence on interbudgetary transfers increases.

All of the above mentioned predetermines the value of the search for additional sources of funding for the activities of municipalities and the involvement of the population in these processes.

## **2. World experience**

In the legislation of individual countries, the above mentioned approach is manifested in the form of consolidating the principle of subsidiarity. This principle means that various public law formations representing different levels of the organization of power must create the necessary conditions for the free exercise of activities (not prohibited by law) by individuals and their associations. From the point of view of the vertical organization of power, the distribution of powers should be carried out in favour of the public legal entities that are closest to citizens, that is, to those subjects that are as close as possible to the citizens whose needs they are called upon to satisfy. So, for example, in the Constitution of the Italian Republic (art. 118) this principle is formulated as follows: "State, Regions, Provinces, Metropolitan Cities, Communes promote the autonomous initiative of citizens, independent and collective, to carry out activities in the common interest, based on the principle of subsidiarity" [Constitution of the Italian Republic, art. 118].

The growing need of citizens to participate both in the adoption of socially significant decisions affecting the interests of residents, and in their implementation, requires the application of the principle of subsidiarity to relations between municipalities and the state. This principle has great potential to stimulate the active participation of the population in public life, which in turn requires institutional actors to provide the most effective response to the growing demands of the population.

The growth of the urban population has created and will continue to create serious challenges for developed countries in both developed and less developed countries in terms of air and water pollution, transportation gridlock, shortage of affordable housing,

inadequate waste collection, deteriorating infrastructure, mounting violence and crime, and income polarization. Local governments are required to provide transportation and communications networks, water and sewers, fire and police protection, parks, recreational facilities, cultural institutions, social services, social housing, and public health. These services and infrastructure are, in many cases, already over-stretched and rapid population growth, combined with limited funding for infrastructure, has put further strain on local governments to maintain existing services and meet future demands. The result is an infrastructure deficit that is large and growing [UN-HABITAT, 2009].

While well-managed municipalities maintain a proper balance across these categories, the rapid pace of urbanization in developing regions of the world, institutional constraints and weak management have combined to slow the efforts of local governments to increase their financial autonomy as part of devolution from the central to the local tier. Increasing the yield of locally generated revenue is, therefore, the major challenge faced by all developing countries [Serageldin et al. 2008].

Whereas political and administrative decentralization has been commonplace in the Commonwealth, fiscal decentralization – the control over the local budget – is often inadequate or not clearly defined. Where local government is responsible for infrastructure – such as roads, rail, water supply pipelines, IT infrastructure – it faces a number of challenges and constraints:

- Maintaining and replacing existing infrastructure;
- Expanding the network of services improving revenue collection to boost funds for infrastructure spending;
- Exploring alternative methods of raising funds for capital expenditure;
- Creating constructive alliances with poor communities and commercial finance institutions [Dirie 2006].

With decentralization, municipalities have become increasingly dependent on the availability of long-term capital sources to finance the purchase or construction of fixed assets. Yet, financing of adequate maturity continues to be a scarce commodity in developing countries. Available funding has been largely confined to:

- Grants or occasional long-term loans from central government;
- Loan funds sponsored or partially funded by central government;
- Loans or credits from multi-lateral or bi-lateral development organizations;
- Targeted domestic and foreign bond issues [Serageldin et al. 2008].

Major infrastructure requires cities to make significant capital expenditures. Revenues from current sources (taxes, user fees, and intergovernmental transfers) are unlikely to be sufficient to meet the infrastructure needs of municipalities. For this reason, cities may also want to access private capital. Long term borrowing is appropriate where the infrastructure (such as roads, water, sewers) will provide benefits for a long period of time. Other ways to access private capital are through public-private partnerships. Direct charges on developers can also provide needed funds to pay for infrastructure (development charges are discussed below). For cities in most of the less developed countries, the sources of municipal debt have been limited to governments or government financial institutions.

The challenges facing municipalities can be mainly classified as infrastructural. It is the need to create a comfortable environment for the population that is both the main reason for the search for additional sources of funding for projects, and the criterion that predetermines the choice of the form of raising funds.

Closing the civilization gap in municipal infrastructure will require a higher level of debt in local self-government units. Therefore, in practice efficient development of local self-government units in the future is affected by amendments to legal provisions related to the capacity and level of debt.

Despite their need for funding of infrastructure investments, local self-government units rarely take advantage of public-private partnership [Skuza 2017].

One of the most common mechanisms for attracting funds for the development of municipalities is the creation of special target funds for the development of municipalities. Such funds can be created both at the state and regional levels.

The Public Works Loan Board (UK) and the *Crédit Foncier* (France) are among the oldest and have served as models for other countries. Typically, MDFs have been sponsored by central governments, with international development organizations initially participating in the creation of these institutions [Serageldin et al. 2008].

In some EU countries, municipalities have the right to unite in cooperative structures, thus allowing, without resorting to vertical subsidiarity, to solve the problems facing individual municipalities. For example, in Sweden, in some cases, communes are united, forming federations. As of 2004, there were 84 municipal associations (federations) in Sweden created to carry out functions that are economically unprofitable to be carried out by individual municipalities [Antiuschina 2007].

However, of greatest interest for study are the possibilities of a single municipal entity to mobilize financial resources of the population to solve urgent problems. The very nature of the municipal government predetermines the need to involve residents in the process of forming the budget of the municipal formation.

One of the important conditions for the sustainability of current democracies is the political and civic involvement of their population. The existence of active and participating citizens is, in our opinion, an inevitable part of this category. The significance of their engagement, in specific cases reflected in regular “cooperation”, is within local governments impacting daily life of an individual and their environment on the increase [Bardovič 2021].

Perhaps the most common method of forming the budget of a municipal formation is a participatory method, which has recently become more widespread in the practice of local self-government.

There are two main approaches to understanding participatory budgeting: the most widespread is the understanding of participatory budgeting which implies the formation of a budget in the process of social dialogue, encouraging the authorities to build close “vertical” interaction between institutions and residents, while maintaining the usual “horizontal” ties.

Much less often, participatory budgeting is understood as the entire set of elements of the budgetary process that goes beyond the usual consultative form of interaction between local authorities and the population.

A participatory budget is a special tool that allows for real interaction of the institutional machine with the population for effective and direct participation of the latter in the development and adoption of decisions on the management of public investments, going beyond the usual consultative forms of interaction [Antonucci 2010]

Participatory budgeting is actually a kind of expression of the concept of participatory democracy, in which the population directly participates [Saccardo 2016].

The emergence of participatory budgeting is associated with a crisis moment in the life of the Brazilian city of Porto Allegri, when, after the adoption of the new Brazilian Constitution in 1988, the elected city authorities found themselves in a position of opposition, having lost the support of the population. The emergence of participatory budgeting in Porto Alegre is an institutional innovation. The main idea is to allow unelected citizens to be able to distribute municipal funds, with the possibility of direct decision-

making at the local level, consultative ability at the city level, and observant - on everyone else [Sintomer, Herzberg, Rocke, Allegretti 2012].

The introduced changes significantly changed the state of affairs: the interaction both within the city administration and the interaction of the city administration itself with the population improved, the response of the municipal authorities to the population's requests became more accurate.

The events in Porto Allegri have become a canonical example of optimization of management processes in local self-government, a kind of model for copying positive experience for many countries. The practice of implementing participatory budgeting, however, has shown that there is no universal model. Each case is individual, and depends, among other things, on the legal regulation of relations in the field of local self-government of each individual state.

There are several main approaches to participatory budgeting that are most widely used in the world. Firstly, this is an approach that involves the involvement of the population in the formation of items of expenditure of the local budget, the determination of development priorities, less often - to determine the details in cooperation with local authorities. Secondly, this is an approach based on the possibility of taking into account public opinion, without the obligation of local government to implement the wishes of citizens.

In a number of cases, one can observe the use of a kind of "complicity model", in which various forms of cooperation between local authorities and the population are implemented, when private entities are given the opportunity to finance the creation and participate in the management of infrastructure facilities. This approach is mainly typical for developing countries, in which local governments are forced to seek additional sources of financing for infrastructure projects. On the contrary, in some countries (for example, Great Britain), the opposite approach is also widespread, allowing private entities to receive funding from public entities for the implementation of certain projects of public importance. You can pay attention to the model used in Korea, where a kind of public councils function under public authorities, influencing the development and decision-making. This practice, however, is subject to some criticism: in theory, these local governments can be characterized as government-centric governance structures in that civil servants are authorized to control the public-private councils, if such councils exist. This is especially true when a conflict between a citizen and civil servants occurs due to the fact that preferred PB-sponsored programs, the amount of allocation, and the timing of



implementation of these programs are too diverse and complicated to reach consensus [Lee 2016].

In addition, the implementation of the principle requires fair voting on projects within the municipality. For instance, in Paris a participatory budget is split between 20 districts (arrondissements), constituents vote and then each district runs a greedy algorithm to maximize the total social welfare – i.e. the total number of votes – of the funded projects. Having separate elections for each district leads to several problems. Foremost, projects that are not local to a single district cannot be accommodated. For this reason, Paris must run an additional election for city-wide projects. However, this splits the available budget for participatory budgeting between district-level and city-wide elections in an ad hoc manner, which is not informed by votes. Further, people may have interests in multiple districts, such as those who live and work in different districts. For this reason, Paris has to allow residents to choose the district in which they vote. Lastly, a project that only benefits voters at the edge of a district may receive a number of votes that is not proportional to the number of potential beneficiaries [Hershkowitz et al. 2021].

Obviously, not all of the described approaches to participatory budgeting are directly related to the replenishment of the municipal budget with funds from the population. Some models assume only consultative participation of the population in decision-making regarding the direction of funds for solving the most urgent problems, i.e. remain only a new mechanism for revealing the opinion of the population.

Considering the currently applied participatory budget settings, we can identify several differences. These are reflected in the following aspects: the length of the process itself (from the whole process of one year to a two-year cycle), what the thematic focus of the projects can be (for example, only one thematic focus, such as environmental themes or more thematic focuses - from social themes through cultural, sports, enhancement of common areas, etc.), who and how can submit projects, how many types of projects can be implemented (from the existence of only one type to the existence of one “small” task and one “large” task), what funds can be given out for these projects, i.e. what is the total amount defined for participatory budgeting, or who can vote (the differences include, for example: defined minimum age of participant; obligation of permanent or temporary residence; whether the setting allows students to participate; whether there is only electronic voting, personal voting or combination of both alternatives that could also be supported by deliberation) and the weight of the individual parts of the vote [Garaj, Bardovič 2020].

Therefore, we can conclude that the current system of functioning of local self-government has two main problems, first being the lack of revenue resources and their richness and the second is inefficiency of administrative capabilities of local self-government [Románová, Červená 2017].

Another source of replenishment of the municipal budget can be the so-called municipal concession, which allows, on the one hand, to meet the needs of the municipality in creating infrastructure to meet the needs of the population, and, on the other hand, to ensure the replenishment of the budget of the municipality by receiving concession payments.

An example of such payments is the concession fees charged for the placement of burial sites (cemeteries) on the territories of municipalities, as is the case in Italy. Article 823 of the Civil Code establishes a rule according to which property belonging to the category of public cannot be alienated, but can be transferred for use to third parties only on the basis and in the manner prescribed by law. Art. 824 of the Civil Code defines such property and cemeteries, with the clarification that these belong to municipalities [Civil Code, Art. 823, 824] The payment for burial in this case is considered as a concession payment, and is subject to be transferred to the budget of the municipality.

Another example is a COSAP – the fee for the occupation of public spaces and areas. Regulated by legislative decree No. 446/1997, the tax must be paid both in the case of temporary and permanent occupations of public areas.

The occupation of public land takes place following the authorization of the municipality of reference and it is the latter that establishes the amount of the rent based on certain criteria. This fee is not required to be paid for occasional occupations lasting less than 3 hours.

The payment refers to the calendar year of the occupation and is differentiated by permanent or temporary land occupation. In the case of the latter type, in fact, the tax is commensurate with the days of occupation and is paid before the granting of the concession.

The expiry and the amount of the permanent COSAP, on the other hand, depend on the Municipality of reference and, generally, can be calculated on the website of the Municipality itself. As for the payment methods, COSAP can be paid both physically and digitally. The end result of such a concession is still that the municipality meets the needs of the population.

### 3. Russian experience

The Constitution of Russia imperatively fixes the recognition and establishes guarantees of local self-government [Constitution of the Russian Federation, Art. 12].

The specificity of municipal relations, expressed in the impossibility for objective reasons to provide all the details of the activities of local government in the legislation in advance, inevitably leads to the fact that the legislator gives local government a certain amount of independence in resolving issues of local importance. This corresponds to the basic principle of the autonomy of local self-government, its separation from state administration. This, in turn, leads to a certain competition between local self-government and public administration in determining the issues of competence of both parties.

Both in Russia and in many European countries, the question of the balance between state administration and local self-government and the delegation of authority remains unresolved [Mironova 2019].

Within the framework of which local self-government bodies, on the basis of interaction and coordinated functioning with federal bodies of state power and bodies of state power of the constituent entities of the Russian Federation, participate in the constitutionally fixed limits in the implementation of the functions of a democratic legal and social state in the respective territory [Constitutional Court of Russian Federation: 13-P/2016].

Subsidiarity, which was discussed in the first section, is also implemented in Russia, through the consolidation in federal legislation of the principle of differentiating income, expenses and sources of financing budget deficits between the budgets of the budgetary system of the Russian Federation [Budget Code of the Russian Federation, Art. 30]. In accordance with this principle, certain revenues can be legislatively assigned to the budgets of municipalities. This is reflected in the laws on the federal budget, adopted for specific periods (3 years).

However, the strict rules outlined by budget legislation do not always allow local governments to find resources to solve their tasks. The municipal authorities are forced to look for possible solutions to the problem. In such situations, separate institutions are used, similar to those mentioned earlier.

The proximity of local self-government to the population implies maximum involvement of the population in solving local issues. Russian citizens fulfill their powers to participate in the affairs of the state and local self-government through participation in solving financial

issues at the local level, i.e. through participation in the implementation of financial activities of municipalities [Mironova 2019].

Some analysis of the Methodological Recommendations for the organization of events aimed at ensuring the balance of local budgets set out in the letter of the Russian Ministry of Finance of 15.12.2006 No. 06-04-08/01-161 makes it possible to judge that the main sources of replenishment of the budgets of municipalities, in addition to tax revenues, are non-tax revenues (payments for the use of municipal property, distributed revenues from commercial activities, revenues in the form of interest from the provision of repayable loans and loans, etc.). The next item on the list of sources of financing of local budgets after non-tax revenues is self-taxation of citizens, as the Methodological Recommendations call it.

Methodological Recommendations indicate a prerequisite for the introduction of self-taxation of citizens - the need to adopt an appropriate municipal legal act regulating the procedure for conducting self-taxation measures. As a rule, we are talking about the relevant regulation approved by the representative body of local self-government [Letter of the Ministry of Finance of the Russian Federation of 15.12.2006 No. 06-04-08/01-161].

The decision on self-taxation of citizens is made in the form of a decision of a referendum (gathering of citizens), where the following questions are raised:

- determination of the size of payments, payers, privileged categories of citizens;
- setting the deadlines for payment, goals and procedures for using the collected funds, as well as the introduction of sanctions in case of violation of the payment deadlines.

#### **4. Prospects and problems**

Despite the consolidation of clear rules in the legislation governing the holding of local referendums on self-taxation of citizens, there is a serious problem with the implementation of decisions adopted in such referendums – federal legislation does not contain any mechanism for ensuring the implementation of decisions on self-taxation adopted in local referenda. At the same time, local self-government bodies are charged with ensuring the implementation of the decision adopted at a local referendum in accordance with the charter of the municipal formation.

The practice of holding referendums on self-taxation of citizens shows that this instrument is used quite often. Nevertheless, an analysis of the issues submitted to referendums on

self-taxation in municipalities suggests a fragmented, rather random approach to the choice of programs funded by the population. The practice of self-taxation referendums is ultimately reduced to solving acute problems that require immediate solutions.

Obviously, this approach to participatory budgeting remains fragmentary today, despite the fact that, in the opinion of the Ministry of Finance of Russia, the most important direction for improving the budget expenditure management system is the introduction of results-based budgeting principles into the budget process.

The Methodological Recommendations formulated by the Ministry of Finance of Russia emphasize the importance of introducing a more comprehensive approach to budgeting, including:

- creation of a system for accounting for the services provided by the municipality;
- assessment and analysis of the reasons for deviations of the approved annual indicators of expenditures from actual costs as a result of the execution of the local budget for the three preceding years;
- introduction of mechanisms for the formation of the expenditure aspect of the budget, ensuring the interconnection of the volume of budget financing with a system of measures aimed at achieving the desired results;
- stimulation of management bodies, their structural divisions to search for reserves to increase the efficiency of budget expenditures;
- creation of a monitoring system and the effectiveness of the provided budgetary services to assess the quality of the work of public sector institutions and assess the effectiveness of budget expenditures based on the analysis of the degree of achievement of the final results;
- approval of quality standards for the provision of budgetary services by their types and the procedure for assessing the conformity of the quality of actually provided budgetary services to the established standards;
- conducting an inventory of the current regulatory legal acts in terms of the availability of quality standards for the provision of budgetary services [Letter of the Ministry of Finance of the Russian Federation of 15.12.2006 No. 06-04-08/01-161].

The model described above represents the next level of implementation of participatory practices, to which, according to the logic of the Ministry of Finance of Russia, municipalities should strive. This approach is fully consistent with the logic of the European

Charter of Local Self-Government, which emphasizes the importance of the real ability of the population to regulate and manage a significant part of public affairs.

Since 2015, a Working Group has been operating for the development of the "Budget for Citizens" project under Ministry of Finance of the Russian Federation. One of the activities of the Working Group is to conduct an All-Russian competition of projects to submit a budget for citizens [General information about the activities of the Working Group].

From 01.01.2021 in the Russian Federation there exists an opportunity to submit an initiative project to the local administration in order to implement priority measures to resolve issues of local importance or other issues, the right to resolve which has been granted to local governments. A group of at least 10 citizens who have reached the age of 16 and live in the territory of the relevant municipality, territorial public self-government bodies, the head of a rural settlement (initiators of the project) have the right to submit an initiative project. An initiative project, prior to its submission to the local administration, is subject to consideration at a gathering, meeting or conference of citizens, including at a meeting or conference of citizens on the implementation of territorial public self-government, who discuss the initiative project, determine its compliance with the interests of residents of the municipality or its part, the expediency of the implementation of the initiative project, as well as the adoption by a gathering, meeting or conference of citizens of a decision to support the initiative project. At the same time, it is possible to consider several initiative projects at one gathering, one meeting or at one conference of citizens.

An initiative project is subject to mandatory consideration by the local administration within 30 days from the date of its submission. Based on the results of consideration of the initiative project, the local administration decides whether to support the initiative project and continue working on it or to refuse to support the initiative project.

The source of financial support for the implementation of initiative projects is the budgetary allocations provided for by the decision on the local budget for the implementation of initiative projects, which are formed, inter alia, taking into account the volumes of initiative payments and (or) interbudgetary transfers from the budget of the constituent entity of the Russian Federation, provided in order to financially support the corresponding expenditure obligations of the municipality.

If the initiative project was not implemented, the initiative payments are subject to refund to persons (including organizations) who made their transfer to the local budget.

The implementation of initiative projects can also be provided in the form of voluntary property and (or) labor participation of the interested parties.

The initiators of the project, other citizens residing in the territory of the relevant municipality, authorized by a gathering, meeting or conference of citizens, as well as other persons determined by law, have the right to exercise public control over the implementation of the initiative project.

Currently, a significant number of sites have been created on initiative budgeting in various subjects, educational lectures and seminars are being held. At the same time, for some municipalities, problems remain with fundraising, as well as involving citizens in these processes.

For example, for the implementation of projects a proactive budget of 500 million rubles was allocated out of the Moscow region budget. At the same time, citizens control the implementation of such projects and take part in co-financing (1%) [Moscow Regional Duma News, 03-04.03.2021]. However, to this day there is no practice of self-taxation of citizens in the municipalities of the region, insofar as there is a lack of legal regulation of these processes.

Thus, at present, the problem of financing municipalities continues to persist. Much of this is due to the peculiarity of the model of interaction between municipalities and the state. At the same time, at present, attempts are being made to increasingly involve citizens in the activities of municipalities that correspond to the world trends.

## **5. Conclusion**

In conclusion, it must be stated that the guidelines for the development of society outlined more than thirty years ago remain relevant today. The totality of global crisis phenomena and a change in public consciousness literally force states to reconsider their previous position regarding the redistribution of powers and competencies between state authorities and civil society.

The described processes directly affect local self-government, which is traditionally an intermediate link between state power and civil society.

Traditional mechanisms of interaction between the state and local self-government on the formation of municipal budgets cannot always quickly and purposefully satisfy the interests of society, which has been shown by the practice of local self-government in the past few decades. This was the reason for the emergence of various forms of interaction between society and public authorities, on the one hand, allowing the population to directly participate in the formation of budgetary policy, while, on the other hand, allowing

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local government to mobilize financial resources of the population in order to implement socially significant projects.

Today, many forms of population participation in the formation of municipal budgets have been developed in the world, but not all of them lead to the mobilization of the population's finances. A significant proportion of such mechanisms remains just as consultative forms of interaction, which do not allow to fully implement the principle laid down in the European Charter of Local Self-Government implying a real opportunity for the population to regulate local issues.

The task of the future is undoubtedly the clarification of the legal regulation of the issues of mobilizing financial resources of the population, and the development of appropriate institutions of municipal, financial, and budget law.

It seems that it is necessary to expand the possibilities for the accumulation of funds of citizens by municipalities. It cannot be limited only to involving citizens in voting on budget issues, it is important that citizens not only make decisions on the distribution of funds, but also be able to finance some events that matter to them.

At the same time, municipalities should not be deprived of their own funds, which could not always be spent on solving popular questions among the population, but nevertheless important questions. Therefore, it remains necessary to form a variety of sources, among which the tax ones are the most stable. In times of crisis, the state should not redistribute funds, taking them at the municipality formations, as this will negatively affect the life of every citizen, which will intensify the crisis and delay the exit from it.



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### **Internet Resources**

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