

## Trends of financing sustainable development of rural areas in Russia

Viktoriya Vladimirovna Kookueva

Moscow State University of Economics, Statistics and Informatics (MESI)  
Nezhinskaja Street 7, Moscow, 119501, Russia

**Abstract.** Our paper reflects the main trends of Russian state policy in the field of promoting the sustainable development of rural areas and agriculture. Analyzes the concept of sustainable development in rural areas of the Russian Federation for the period up to 2020, the State Agriculture Development Program and the regulation of agricultural products, raw materials and food for 2013-2020, the federal program “Sustainable rural development for 2014-2020”.

[Kookueva V.V. **Trends of financing sustainable development of rural areas in Russia.** *Life Sci J* 2014;11(6s):310-314] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 62

**Keywords:** rural areas, agriculture, budget, finance, regional economics

### Introduction

The problem of rural development in Russia has always been relevant and important because of the high proportion of rural areas. In Russia in recent years intensified government support of rural areas and agriculture, which is expressed as an increase in spending on the development of agriculture, and in the adoption of the federal target programs and national projects.

The European Commission's rural development policy is one of the two pillars of the Common Agricultural Policy (CAP). It helps meeting the challenges faced by rural areas and contributes to their sustainable development. Support is provided for rural development programs defined at national or in some cases regional level, which for a certain number of years (now: 2007-2013) set out the measures to be undertaken and the funding allocated to each of these measures. In its early days, rural development policy was essentially sectoral (dealing mainly with agricultural structures), with limited territorial aspects. Predominantly rural regions in the European Union (EU) represent 52% of the territory and 23% of the population. In 2010 they generated 16% of the total gross value added (GVA) and 21% of the employment. [1]

Solving the problems of stable economic development and welfare of the population in Russia is largely determined by the development of rural areas. The territory of Russia exceeds 17 million square kilometers, of which 400 million ha are agricultural land. However, for the period from 2001 to 2010, the rural population of Russia decreased by 1.7 million people. Natural decline in population was two million people, out-migration - 317,000 people. Over the past 10 years, the number of rural schools has decreased by almost 11,000. Preschools in Russian villages declined by 4300, clubs - seven thousand, midwifery units - by 6800.

In many countries, there is decline in the economic activity of the rural population. [2]. Despite the positive contribution to the social improvement of the village is now serving a federal target program “Social development of village until 2013”, needs substantial revision of the volume of resource support measures for sustainable development of rural areas and increased. This primarily concerns the construction of new housing, preschool educational institutions, as well as pilot projects integrated compact construction and improvement of rural settlements.[3]

Research methodology. This article examines the main directions of state support for rural areas, budgetary financing agriculture. Analyzed the composition and structure of the federal budget to support agriculture, evaluated the effectiveness of the implementation of government programs, concepts, federal targeted programs. The article presents an overview and analysis of the main directions of the state policy on the development of rural areas.

### Main part

Rural development can be understood as the unfolding of capitalism in rural areas, and as that package of policy and project interventions that aim to foster socio-economic change and human improvement in rural areas. Some writing on 'rural development' thus addresses general issues of agrarian change, peasant economy, and rural politics.[4]

Budget funding for agriculture and rural development is carried out in the following directions: [5]

- Funding of land reform;
- Financial support for the development of farming /development of market relations in agribusiness;

- Support for social infrastructure in rural /residential construction, construction of health facilities, schools, kindergartens, road construction;
- Land development and maintenance of reclamation systems;
- Land improvement associated with increased fertility;
- Construction and reconstruction of enterprises in the food processing industry and the fishing fleet;
- Support the development of local construction industry bases and building materials;
- Financial assistance for land management, anti-epizootic measures and measures to protect plants from pests and diseases of veterinary and sanitary services;
- The development of leasing acquisitions of technology, equipment;
- Subsidies and compensation payments to agricultural producers;
- State support insurance in the agricultural sector;
- Ensuring the village of fuels and lubricants, fertilizers and pesticides on commercial terms of the loan;
- For periodic debt forgiveness agricultural enterprises on loans and interest on them, with such of these amounts on internal debt;
- Conducting preferential tax policies.

Table 1 shows the composition and structure of the federal budget heading “Agriculture and Fisheries” for 2008-2012. Expenditure budget heading “Agriculture and Fisheries” in 2009 amounted to 83.1 billion rubles, which is higher than 2008 and 2010 to 25.1 billion rubles and 35.3 billion rubles, respectively. In 2011 the volume of allocations increased to 142.3 billion rubles, and in 2012 - 148.82 billion rubles.[6]

The main expenditure item in 2008-2010 is to allocate funds to institutions to ensure the provision of services in the field of agriculture, conservation and use of wildlife. In 2008, this article was spent 16.7 billion rubles, the share was 28.8% and in 2009 by 4.3 billion less than the previous year, in 2010, 10.7 billion rubles were spent on that 1.7 billion rubles less than in the previous year, the share in 2010 was 30.3%. It should also be noted that in 2010 began to allocate funds under the State program of agricultural development and regulation of agricultural products, raw materials and food for 2008-2012. In 2010, these funds amounted to 7.7 billion rubles share in the structure of expenditure was 21.8%. In 2011, funding under this program increased to 106.2 billion rubles, or 74.6% of total expenditure under this heading, in 2012 the volume increased to 115.67 billion or 77.72%.

**Table 1. Structure of expenditure under “Agriculture and Fisheries” the federal budget for 2008-2011, billion rubles**

Expenditure	2008 r.		2009 r.		2010 r.		2011 r.		2012 r.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Leadership and management in the field of self functions	0,1	0,1	0,05	0,1	0,06	0,2	0,06	0,04	0,05	0,05
Implementation of state functions associated with the general management	0,4	0,6	-	-	1	2,8	-	-	-	-
Federal target programs	11,2	19,3	8,3	10,0	5,3	15,0	15,98	11,2	14,91	10,92
Low (over) investment in capital construction projects that are not included in the target program	0,8	1,4	0,65	0,8	0,16	1,0	0,28	0,3	1,29	0,87
State support of agriculture	3,3	5,7	2,9	3,5	0,88	0,2	0,3	0,3	0,17	0,11
Agencies to provide services in the field of agriculture, conservation and use of wildlife	16,7	28,8	12,4	14,9	10,7	30,3	11,6	8,2	12,39	8,46
State Program for Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food for the period 2008-2012	-	-	-	-	7,7	21,8	106,2	74,6	115,67	77,72
Questions food market regulation and public food funds	10,0	17,2	9,6	11,6	-	-	-	-	-	-
Fishery	0,7	1,2	0,4	0,5	0,3	0,8	0,4	0,3	0,44	0,30
Institutions ensure the provision of services in the field of fisheries	4,4	7,6	3	3,6	2,8	7,9	3,7	2,6	3,7	2,49
Support institutions and social sphere of the Russian Federation, labor markets, social welfare	-	-	-	-	7	19,8	-	-	-	-
Implementation of state functions of the national economy	10,5	18,1	45,8	55,1	-	-	3,7	2,6	-	-
<b>Total</b>	<b>58,0</b>	<b>100</b>	<b>83,1</b>	<b>100</b>	<b>35,3</b>	<b>100</b>	<b>142,3</b>	<b>100</b>	<b>148,82</b>	<b>100</b>

The next major expenditure item should be to support the national economy and social sphere of the Russian Federation, labor markets, social welfare, in 2010, this article was spent 7 billion rubles, the share was 19.8%, it should be noted that in previous periods analyzed by Current expenditure was not made.

At the federal program in 2008 was spent 11.2 billion rubles, in 2009 expenditure was made 2.9 billion rubles less than the growth rate of the previous year to 74.1 % in 2010, costs are estimated at \$ 5.3 billion rubles, which is 5.9 and 3 billion rubles less than in 2008 and 2009, respectively. The share of this article in the cost structure was 15.0%, up by 5.0% in 2009, but lower than in 2008 by 4.3%. In 2011-2012, the budgetary funds allocated to the federal targeted program was 15-16 billion rubles.

Table 2 presents data on the actual implementation of the State program of agricultural development and regulation of agricultural products, raw materials, food for 2008-2012. [7,8]. Thus, over the period of the program was scheduled 551.294 billion rubles, and financed by 653.168 billion rubles, which is 18.5% more. Most of the funds allocated in the direction of “Achieving financial sustainability of agriculture” - 64%, on the development priorities of agriculture subsectors -14%. It should be noted that “Sustainable development of rural areas” was scheduled to 112.367 billion rubles, and funded in less than 3 times - 43.540 billion rubles. But this deficiency was corrected by adopting the Federal Target Program “Sustainable rural development for 2014-2020”.

**Table 2. Execution of funding from the federal budget, provided the State Program for 2008-2012, billion rubles [9]**

Direction of the program	2008		2009		2010		2011		2012	
	plan	fact	plan	fact	plan	fact	plan	fact	plan	fact
Sustainable development of rural areas	7,335	8,137	19,027	8,963	25,124	7,72	29,601	7,72	31,28	11
General conditions in the functioning of agriculture	9,863	17,72	12,917	17,737	13,781	10,106	14,66	11,499	15,325	11,8
Development of priority sub-sectors of agriculture	13,733	13,144	15,412	16,417	14,11	10,585	19,373	23,129	15,039	26,8
Achieving financial sustainability of agriculture	44,004	78,642	51,284	112,27	65,622	72,991	59,936	74,701	66,854	81
Regulation of agricultural markets	1,36	0,639	1,36	9,636	1,363	5,878	1,43	7,934	1,501	7
TOTAL	76,295	118,283	100	165,023	120	107,28	125	124,983	129,999	137,6

Order of the Government of the Russian Federation of November 30, 2010 #2136-p approved the concept of sustainable development in rural areas of the Russian Federation for the period until 2020. [8]

On the one hand, rural areas have a strong natural, demographic, economic, historical and cultural potential, on the other hand, the standard of living of the rural population is still very low, the gap between urban and rural income levels. Important policy objectives in the field of sustainable rural development for the period up to 2020 are: the creation of favorable conditions for socio-economic development of rural areas; steady growth of the rural economy, improving the efficiency of agriculture and the contribution of the village in the country's economy, raising employment levels and quality of life of the rural population, reduction of inter-and intra differentiation in the level and quality of life of the rural population; others.

As part of the Concept of the Russian Federation Government Decree of 14 July 2012 #717 was adopted by the State Agriculture Development Program and the regulation of agricultural products, raw materials and food for 2013-2020. Program - an instrument is targeted federal targeted programs:[9]

- Federal target program "Social development of village until 2013";

- Federal Target Program "Sustainable rural development for 2014-2020" (approved July 15, 2013);

- "Conservation and restoration of soil fertility of agricultural land and agricultural landscapes as a national heritage of Russia, 2006 - 2010 and for the period until 2013";

- "Development of agricultural land reclamation Russia to 2014 - 2020 years" (approved October 12, 2013).

This government program is a continuation of a similar program for the period 2008-2012. It is evident that some federal target program ends in 2013, the newly adopted program is a logical continuation of the policy of the state.

Consider one of the most important programs – "Sustainable rural development for the period till 2020". Government of the Russian Federation of July 15, 2013 #598 approved the federal target program "Sustainable rural development for 2014 - 2017 and for the period up to 2020". The State Program on this target program was originally scheduled to 90415 million rubles. It should be noted that the approved version of the overall funding for the program has increased more than three times and totaled 299,167.4 million rubles (in prices of corresponding years), including: the federal budget - 90415 million; consolidated budget of the Russian Federation - 150,612.2 million rubles; budget sources - 58140.2 million rubles.

The program includes the following activities:

- Improvement of living conditions of citizens living in rural areas, including young families and young professionals;

- Complex construction of settlements located in the countryside, the objects of social and engineering infrastructure, including rural development network of educational institutions, medical and obstetric and (or) the offices of general practitioners plane sports facilities, cultural and leisure institutions type development in rural areas of gasification, water supply, implementation of projects under the comprehensive development platforms compact housing development in rural areas;

- Grant support local initiatives of citizens living in rural areas;

- The promotion and popularization of achievements in the field of rural development;

- Scientific and methodological support of the Program.

Table 3 presents the main activities of the program, the amount and sources of funding. The most important and biggest event of this program - the improvement of living conditions of citizens living in rural areas. So during the implementation of this program in this direction will be spent 141,771.7 million rubles, which is 47.4% of all funds. And at the expense of the federal budget will be financed 30% of the budgets of subjects of the Russian Federation - 40% -30% of extrabudgetary funds. Instruments for implementing this activity are: the provision of social benefits for the construction and purchase of housing in rural areas; cofinancing construction (purchase) of housing provided to young families and young professionals under employment

contracts with the right to repurchase, the use during construction (purchase) of housing arrangements for Housing Mortgage Lending and maternal (family) capital, the increase in housing construction in rural areas by stimulating investment activity in the housing sector. During the period of implementation of the program is envisaged to be 5.4 million square meters of residential premises in rural areas, including 3 million square meters for young families and young professionals.

**Table 3. Activities of the Federal Target Program “Sustainable development of rural areas, 2014-2017 and for the period up to 2020”, the amount and sources of their financing, million rubles. [10]**

Data		2014	2015	2016	2017	2018	2019	2020
Improvement of living conditions of citizens living in rural areas, total	Total	15066,7	15066,7	16801	18732	21831,3	25248,3	29005,7
	Federal budget	4320	4320	3040,3	3623,6	6549,4	7574,5	8701,7
	Consolidated budgets of subjects of the Russia	6026,7	6026,7	6720,4	7500,8	8732,5	10099,3	11602,3
	extrabudgetary funds	4520	4520	3040,3	3623,6	6549,4	7574,5	8701,7
Grant support local initiatives	Total	200	200	223	249	289,8	335,2	385
	Federal budget	100	100	111,3	124,5	144,9	167,6	192,3
	Consolidated budgets of subjects of the Russia	100	100	111,3	124,5	144,9	167,6	192,3
	extrabudgetary funds	-	-	-	-	-	-	-
Encouraging and promoting achievement in the field of rural development	Total	45	45	47,7	50,8	53,8	56,6	59,2
	Federal budget	45	45	47,7	50,8	53,8	56,6	59,2
Complex arrangement of settlements of social and engineering infrastructure (Ministry of Agriculture)	Total	14433,5	14433,5	16493,4	18918,7	22827,8	26931,2	31622
	Federal budget	4330	4330	4948	5673,7	6848,3	8079,4	9486,6
	Consolidated budgets of subjects of the Russia	8356,8	8356,8	9778	11213,7	13333,3	15966	18746,8
	extrabudgetary funds	1546,7	1546,7	1767,4	2027,3	2446,2	2885,8	3389,6
Complex arrangement of settlements of social and engineering infrastructure (Ministry of Culture)	Total	-	-	1333,3	1529,4	1845,4	2177,1	2536,3
	Federal budget	-	-	400	458,8	533,6	633,1	766,9
	Consolidated budgets of subjects of the Russia	-	-	933,3	1070,6	1291,8	1524	1789,4
	extrabudgetary funds	-	-	-	-	-	-	-
Scientific and methodological support	Total	5	5	7	7	10	10	10
	Federal budget	5	5	7	7	10	10	10

Grant support local initiatives involves the allocation of 1882 million rubles for the whole period, or 0.63% of total assets. These funds are provided in the form of subsidies for the implementation of socially significant projects selected subjects of the Russian Federation. As a result of the implementation of activities projected 775 projects.

Promotion and popularization of achievements in the field of rural development is funded entirely by the federal budget of \$ 358.1 million, which is 0.11% of total assets.

Complex arrangement of settlements located in the countryside, the objects of social and engineering infrastructure provides several directions: development of a network of educational institutions, medical and obstetric centers, sports facilities, the development of gasification and water supply in rural areas, the implementation of comprehensive development projects sites for compact development. Total for this event will be sent to 145,660.1 million

or 48.69% of total assets. Thus, the development of schools planned to send 16,820 million or 5.62% of all funds for the development of FAP - 6728.1 million, or 2.25%, on the development of sports facilities - 5046 million rubles, or 1.69%, on the development of gasification - 39022 million or 13.04%, on the development of water supply - 44,404.3 million or 14.84%, to a compact construction - 33,639.7 million or 11.24% of total assets. Simple supply and demand models of changing wage differentials by education group are used, so as to consider the drivers of relative demand shifts in favour of the more educated that underpin rising wage inequality. [11]

It should be noted that the development of social facilities to be financed 70% of consolidated regional budgets, and 30% of the federal budget. Sources of development finance gasification: the federal budget - 30% of the consolidated regional budget - 50%, extra-budgetary funds - 20%. On water and compact construction involves the following structure of financing the federal budget by 30%, the consolidated budget - 60% -10% extra-budgetary funds. By this action the state customer is the Ministry of Agriculture of Russia.

The same event through the Ministry of Culture involves the development of a network of cultural and leisure, to which will be sent to 9,441.5 million rubles, or 3.16%. This activity should be funded by 70% of the consolidated budget of the Federation and 30% of the federal budget.

On scientific and methodological support of the program will be sent to 54 million rubles, or 0.02% of total assets.

Government of the Russian Federation dated October 12, 2013 #922 was the Federal Target Program “Development of agricultural land reclamation Russia for 2014-2020”. Total planned to spend 185,059.3 million rubles, including the expense of the federal budget - 75 297 million (40%), due to the consolidated budgets of subjects of the Russian Federation - 46001.9 million rubles (25%), extrabudgetary funds - 63,760.4 million ( 34.5 % of total assets). It should be noted that, initially, at the stage of the State program was scheduled to 62,025.4 million, representing an increase of financing for development land reclamation almost 3 times.

## Conclusion

The fate of domestic agricultural producers as a result of the national project, especially in terms of entry into the World Trade Organization, largely depends on how quickly the end of the funding of agricultural products from the Russian government to take a comparable scale. Public funding of the village can take the form of direct subsidies, subventions,

grants agricultural producers, payments (subsidies) interest rate and /or principal on commercial loans, budget credits, guarantees the repayment of debt, including loans or guarantees procurement acceptable prices for manufacturers, providing tax incentives, including tax credits and investment.

Funding should be focused on what to enable agriculture independently generate cash flows sufficient to make the necessary purchases, payroll and generally maintain a decent standard of living throughout the production cycle. For this it is necessary to reduce the dependence of domestic agriculture on external funding, to create the conditions under which banks and other financial institutions will compete for the borrower. [12]

### Findings

Very important and right that the government is working in two directions: development of rural areas and agriculture. Agricultural sector and rural areas can not develop without the support of the state. Believes that the adoption of the concept, state and federal programs targeted programs will contribute to the development of the industry, the village, improving the level and quality of life in rural areas.

Thus, a positive view of the state policy to support rural areas and agriculture, but there are some doubts about the development of rural infrastructure, which assumes co. In our view, a compact building activities, development of gasification and water would have to be put in a separate federal program, as the territory and the population to cope with this problem are not able to.

Gratitude. This article was written with the support of the Russian Humanitarian Foundation project #13-32-01227.

### Corresponding Author:

Dr.Kookueva Viktoriya Vladimirovna  
Moscow State University of Economics, Statistics and Informatics (MESI)  
Nezhinskaja Street 7, Moscow, 119501, Russia

4/182014

### References

1. Rural Development in the European Union - Statistical and economic information – 2013. Date Views 16.02.2014 [http://ec.europa.eu/agriculture/statistics/rural-development/2013/index\\_en.htm](http://ec.europa.eu/agriculture/statistics/rural-development/2013/index_en.htm)
2. Ksonzhik, I, 2013. Economic activity of the rural population of Ukraine. Actual problems of economics, 12: 153-160
3. Stegne, M, 2013. Environmental component of sustainable development in rural areas of Ukraine. Actual problems of economics, 11: 171-177
4. Bebbington A., 2001. Development: Rural Development Strategies. International Encyclopedia of the Social & Behavioral Sciences, pp 3578-3583
5. Base of the Ministry of Agriculture of the Russian Federation. Date Views 10.12.2013 [www.msx.ru](http://www.msx.ru)
6. Base of the Ministry of Finance of the Russian Federation. Date Views 10.12.2013 [www.minfin1.ru](http://www.minfin1.ru)
7. Order of the Government of the Russian Federation “The concept of sustainable development in rural areas of the Russian Federation for the period up to 2020” of 30.11.2010 #2136-p
8. Order of the Government of the Russian Federation “State Program for Development of Agriculture and Regulation of agricultural products, raw materials and food for 2013-2020” of 14.07.2012 #717.
9. Base of the Federal Treasury/ Date Views 10.12.2013 [www.roskazna.ru](http://www.roskazna.ru)
10. Order of the Government of the Russian Federation “The federal target program “Sustainable development of rural areas in 2014 - 2017 and for the period up to 2020” of 15.07.2013 #598
11. Lindley J., Machin S., 2013. Wage inequality in the Labour years. The Oxford Review of Economic Policy, 29(1):165-177
12. Sidorov, A., Zhelobodko, E. 2013. Agglomeration and spreading in an asymmetric world. Review of development economics, 2: 201-219.