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**THE PROBLEM OF FUNCTIONING AND SUSTAINABLE  
DEVELOPMENT OF MUNICIPALITIES**

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**Abstract**

Functioning and development of municipalities are usually based on their economic and social potentials. Further sustainable development of municipalities implies enhancing and perfecting the existing potentials. For this purpose, complex development programs for existing social-economic potentials are being elaborated in most municipalities. The next step will often be the formulating of certain tasks for the development of functioning potentials of the municipalities. Meanwhile, the set of certain tasks mostly depends on the state of certain components of the potentials, including labour forces, material and technical resources, the municipality's ground environment, information and innovation flows, financial resources, and natural wealth and ecological resources. The management system aiming at raising efficiency of municipalities should include the economic interest balance mechanism. Today visions of the development of production and social potentials of municipalities in the current conditions imply the modernization of their tax system, and a significant increase of financing of certain investment projects as well.

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## 1. Introduction

The complexity and interconnection of the problems to solve, the effectiveness of their realization depends on the management system, which is formed by the management organization, interaction of the municipality executive, business, infrastructure management, education functionary, inhabitants, as well as contract-based academic institutions and other civil society institutions.

To reach the balance of economic interests of municipality economic actors, the contradictions among them should be decreased and the effectiveness of ruling the accumulated economic and social potentials of municipality should be raised. The balance mechanism itself includes various instruments, components and a set of methods to balance the interests of municipality governors. Along with that, the management mechanism should be aimed at balancing local interests of various groups of inhabitants of the municipality.

In whole, raising effectiveness of managing the economies of municipalities and their sustainable development is based on the following principles:

Economic principles imply involving extra financial resources i.e. investments, subsidies, subventions, grants, in order to fulfil complex development programs for existing social-economic potentials of municipalities.

Social principles determine the volumes of resources used to improve the life standard in municipalities basing on raising the standards of medical and social service, culture, rest etc.

Institutional principles include methods, means and instruments of raising effectiveness of management of economic and social spheres of the municipalities through raising the efficiency of objects of management, achieving new level of the inhabitants' self-organization etc.

Ecological principles basically mean rational land-utilization, saving the forests and ecological safety.

These principles are the main base of the vectors of development of the management system, social-economic potential etc. of the municipality economy. Effective development implies complex approach to economic and social development, the development of the management system etc. The complex approach to the territorial management is best realized by organizing a multi-level planning system of the social-economic potential development, with planning the social cluster activity being important. The economic development should be planned basing on the production cluster development.

## 2. Problem Statement

The effectiveness of management and planning of the municipalities essentially depends on the regional policy, which should include main strategies of the development acceleration of their economic and social potentials, in order to provide sustainable development of local economies. These strategies include legal, organizational, economic, financial, etc. regional government activities.

In regional development strategy of municipalities, it is essential to:

- significantly improve the efficiency of production at that level;
- provide a more reasonable approach to the production resources utilization;

- in social issues, to significantly increase the people's employment, life standard in the village, and to improve demographic showing;

- guarantee the saving and support of historical and cultural heritage.

To solve the strategic problems, it is essential to attract a certain volume of financial resources (Hagurov, 2019). So, the regional governments should accumulate sufficient volumes of financial resources for each municipality, in order to achieve the economic and social goals. As is well known, the municipalities often lack own finances even for current activity. There are also considerable difficulties with attracting investments by own forces. So, the effective development of social-economic potential of local entities essentially depends on the regional politics in whole.

### 3. Research Questions

Academic research in the sphere of strategy of sustainable development of municipalities in a range of researches is based on studying factors which are differentiated by their contents and by the extent of their impact on the development processes (Shcherbina & Gorbenkova, 2016). These generalized factors include economic, financial, demographic and ecological ones. Meanwhile, it is important to take into consideration the intensity of these factors' impact on the development of local territories, which differ by the rate of development, peculiarities of their economies and the state of social sphere (Sharafutdinova & Isyanbayev, 2014, p. 119).

To more precisely define the impact of general factors on the effectiveness of development of municipalities, a set of special coefficients is used. The coefficients:

- reflect the value of current key processes related to social-economic changes;
- define the rate of sustainable development of local economies;
- help in coordination of estimating and measuring all the processes in municipalities;
- define normative meanings of the indexes.

At the local level, for sustainable development of municipalities, other factors and circumstances are essentially important as well as investments and finances. So, investigating all the problems of sustainable development of the municipalities, it is necessary to set a complex of management tasks aiming at reaching high rates of the development. First of all, the collaboration of regional and municipal governments should be improved. For this purpose, firstly, a system of indexes of sustainable development of the social-economic municipality potentials should be elaborated. Internal factors of sustainable development include the factor of natural resources, as well as agricultural and industrial potentials (Ivanov, 2009). Investment attractiveness of the municipality and its financial policy determine its future to a considerable extent. At the local level, the demographical factor and labour force qualification matter.

As for external factors, which determine the municipality economic growth, macro-indexes, indicating investment flows, matter. Possibilities for outsourcing the local financial budget, obviously, depend on the general state of the region's and the country's economy.

Social-economic development of municipalities depends, first of all, on their budget income. Other factors, such as current social-economic potential, the territory space, number of population etc., have a less impact on the local economy growth.

Presently, municipalities' financial budgets are mainly formed at the expense of the country's consolidated budget. This share may go up to 70%. Transfer payments constitute up to 30% of this share. The rest is composed by subsidies and subventions with the latter being stimulator of the economy.

It is evident that tax and non-tax revenue of the municipalities cover minimal current expenses. At the same time, there are usually no investments for the economic development altogether.

#### **4. Purpose of the Study**

Today visions of the development of production and social potentials of municipalities in the current conditions imply the modernization of their tax system, and a significant increase of financing of certain investment projects as well (Korostelev 2017, p. 38).

Domodedovo, a municipality of Moscow region, is now facing certain social and economic challenges for its further development. SGM Rating Agency has though awarded Domodedovo the 9th place in the rating of Russia's cities of high social and economic rate, and the 1st place among Russia's cities of population of 250 thousand or more.

#### **5. Research Methods**

Domodedovo's industrial potential adds up to about 13 thousand of enterprises, with the number of large and medium ones among them being about two hundred enterprises.

Those enterprises produce road-construction materials, ready-built ferroconcrete, ironwork. Also, consumer goods are produced, such as furniture, garments, fish and meat and dairy products, alcoholic and non-alcoholic drinks.

Market changes in Domodedovo's economy allow providing stable increase in all industries, with construction industry, metalworking industry and food industry developing more rapidly. Economic conditions for founding new industrial enterprises are created in the municipality.

The constant development of the industry in Domodedovo resulted in the municipality producing about 8% of the GDP of Moscow region in industry, with only 2% of the region's population living in Domodedovo.

The priority spheres of development of the municipality are modern industrialization of the agriculture and industry, the support of local goods producers, outrunning development of social sphere, that is, education, health-care, culture, recreation and tourist destinations.

Agricultural production of the municipality of Domodedovo is presently an essential sphere of economic development. The branch is expected to provide sufficient volumes of products and services in order to meet the inhabitants' needs for high-quality foodstuffs, as well as the industry's needs for high-quality raw materials. Apart from other goals, it is necessary to provide sustainable development of rural territories (Efremova, 2010).

During the latest years, the stock raising occupies the leading place in the region's rating. The municipality's share in the region's milk production constitutes 8%, while that in meat production is about 7%. Annually, 416 kg of milk per person is produced in the municipality, as well as about 136 kg of cattle and poultry meat per person. These figures outnumber minimum consumption norms.

## 6. Findings

The municipality government consider the agriculture economic growth rates insufficient. Speaking of the main causes of the current situation the following ones should be named:

- low rates of technological modernization in agriculture, including replacement of out-of-date basic production funds; low rates of ecological rehabilitation;
- agriculture lacks sufficient market infrastructure, there is no free access to financial and information resources;
- the current financial instability of the agriculture is determined by the lack of stability of agricultural markets, lack of private equity, and underdeveloped insurance activity;
- lack of qualified personnel is aggravated by poor labour conditions and lack of mass professions because of low life-quality in the village.

Aiming at overcoming current obstacles for the development of agriculture, a development program for the agriculture of the Domodedovo municipality has been created. The program is based on the Federal target program of "The development of agriculture and the regulation of markets of agricultural goods, raw materials and foodstuff in 2013-2020", and on the similar program of Moscow region.

The program includes main vectors of economic and social development of the agriculture:

- achieving sufficient rate of providing main agricultural goods to the municipality inhabitants, basing on medical nutrition requirements;
- increasing agricultural production by 4,8% by the year 2020;
- increasing investment inflow to economic and social spheres;
- providing the 1,3 times income growth of the agricultural staff;
- significantly improving the living conditions and utilities supplement in the village;
- improve the engineering communications in the rural areas.

The aims and goals set are to be realized as figures showing the development of the agriculture:

- increase the crop farming productivity by 4,8%;
- provide growth of grain production by 16,4%;
- reach the growth rate of 3,5% in milk production;
- increase medium rate of profitability in stock raising by 15%, in crop farming by 10%;
- absolute figures of agricultural production growth are expected to reach: 54968 tons in milk production, 16409 tons in meat production, 19000 tons in grain production;
- the share of agricultural land cultivated is to reach the level of 95%.

## 7. Conclusion

Aiming at overcoming current obstacles for the development of agriculture, a development program for the agriculture of the Domodedovo municipality has been created. The program is based on the Federal target program of “The development of agriculture and the regulation of markets of agricultural goods, raw materials and foodstuff in 2013-2020”, and on the similar program of Moscow region. Achieving the aims and goals set will give possibility to create sufficient funds for stabilization of the financial situation in agriculture.

The aims and goals set are to be realized as figures showing the development of the agriculture: increase the crop farming productivity, provide growth of grain production, reach the growth rate in milk production, increase medium rate of profitability in stock raising, in crop farming.

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