

## TIES 2020

**International conference «Trends and innovations in economic studies»**

### **ECONOMIC AND LEGAL REGULATION OF DISASTER MANAGEMENT IN THE RUSSIAN FEDERATION**

Natalia V. Vasilyeva (a)\*, Viktor V. Ignatenko (b), Nikolay V. Kolosov (c), Julia  
V. Pyatkovskaya (d), Raisa I. Sedelnikova (e)

\*Corresponding author

(a) Baikal State University, 11, Lenin Str., Irkutsk, Russia, nativi@yandex.ru

(b) Irkutsk National Research Technical University, 83, Lermontov Str., Irkutsk, Russia, ignatenko\_v59@mail.ru

(c) Irkutsk State University, 10, Ulan-Batorskaya Str., Irkutsk, Russia, kolosovnv@mail.ru

(d) Irkutsk National Research Technical University, 83, Lermontov Str., Irkutsk, Russia, julart@yandex.ru

(e) Volga-Vyatka Institute (branch) of the University named after O.E. Kutafin (Moscow State Law Academy), 30,  
Moskovskaya Str., Kirov, Kirov region, Russia, r.sedelnikowa2010@yandex.ru

#### *Abstract*

The article analyzes problems of economic and legal regulation of disaster management in the Russian Federation. The authors draw attention to various measures of direct and indirect financial support for the affected territories and citizens and their legal consolidation. The paper analyzes federal, regional and local acts providing for these measures. There are various economic measures aimed at eliminating consequences of natural disasters, including budgetary allocations, tax benefits, priority socio-economic development in the affected areas, and public-private partnership. It is difficult to implement measures of economic and legal support for eliminating consequences of natural disasters and protecting property rights such as insurance and charity. The study allowed us to conclude that currently in the Russian Federation, financial support measures implemented at the expense of centralized funds are of priority importance, while private funds are rarely used for eliminating consequences of natural disasters. The article concludes that all the economic and legal measures should be implemented comprehensively.

2357-1330 © 2020 Published by European Publisher.

**Keywords:** Emergency, financial support, budget, budget expenditures.



## **1. Introduction**

Emergencies arising in places of residence of people and at industrial facilities entail the application of various measures aimed at eliminating their consequences. According to the recent Russian experience of eliminating consequences of floods in Irkutsk Region, Krasnodar, Primorsky Territories, and the Republic of Sakha (Yakutia), the economic measures are the most effective (allocation of financial and material resources). According to many experts (Yakimova, Chuksina, Komkova, & Nesmeyanova, 2018), the successful implementation of these measures requires proper legal regulation. Moreover, legal forms cannot be separated from the economic content of a legal phenomenon (Gracheva, 2012).

## **2. Problem Statement**

Currently, the issues of planning and implementing organizational methods of eliminating negative consequences of natural disasters are studied by Russian (Lysauskaite, 2019) and foreign (Huck, Monstadt, & Driessen, 2020; Oksuz & Satoglu, 2020) researchers. At the same time, the success of both organizational measures and restoration of the affected territories depends on the competent use of economic measures. It seems necessary to identify the most effective economic measures aimed at eliminating consequences of emergencies and identifying features of their legal regulation.

## **3. Research Questions**

When eliminating consequences of natural disasters, priority is given to direct financial support methods. According to N.A. Povetkina, “the occurrence of emergency situations causes extraordinary expenses” (Povetkina, 2015, p. 66). In Russia, the main financial sources are federal, regional and local budgets. The required amount of funds allocated depends on the scale of destruction, the amount of damage, the number of victims, the level of emergency. “Russian federalism presupposes ... an approximation of power to a person and problems surrounding him” (Narutto, 2018, p. 85). Therefore, on July 3, 2019, after the flooding in Irkutsk region, the President of the Russian Federation issued a decree “On measures to eliminate the flood in Irkutsk region”. According to the decree, the Russian Government allocated funds for repairing damaged houses, building and purchasing new ones. In addition, it was proposed to transfer inter-budget resources to the regional budget. In accordance with the Decree of the Government of the Russian Federation of July 27, No. 971 (Government of the RF, 2019), the amount of money for restoring roads was 493,981.4 thousand rubles. Similar mechanisms are used in foreign countries (Sciulli, 2018). In this case, there are two types of budget expenditure, including traditional budget financing which assumes financial support for eliminating consequences of natural disasters provided for by budget legislation. In 2014, financial support for the recreation and rehabilitation of children affected by large-scale floods was carried out within the limits approved by the Ministry of Labor and Social Protection of the Russian Federation for budgetary allocations and limits for budgetary obligations. The literature emphasizes the importance of direct budget financing of industries in the affected territories, which will accelerate economic recovery, reducing long-term adverse effects (Zhao, Zhong, & He, 2018).

Along with traditional budget financing, these expenses are covered from special reserve funds widely used in foreign practice (Pope & Leland, 2019). In the Russian Federation, the current budget legislation provides for the possibility of financing the elimination of consequences of natural disasters at the expense of the reserve fund of the President of the Russian Federation and the reserve fund of the Government of the Russian Federation, as well as reserve funds of executive authorities of the Russian regions and local administrations. The application of the traditional financing method requires amendments to the budget law (decision). In the cases specified in Article 217 of the Budget Code of the Russian Federation, amendments to the consolidated budget list are required. These actions involve significant costs which negatively affects the elimination of emergency situations. The use of the reserve funds does not require amendments. However, their size is limited by articles 81 and 82 of the Budget Code of the Russian Federation (3 or 1 % of total budget expenditures). In addition, this method will be ineffective if the emergency coincides with the economic crisis, because these reserve funds are funds that do not have targeted income. In the absence of targeted income and a separate accounting of the funds as a result of shortfalls or increasing expenses, the specified fund remains only formally planned in the absence of real money supply.

Due to these shortcomings, indirect methods can be used. As one of these financial support measures, tax benefits can be applied. As a rule, tax incentives are established for property taxes and are valid for a limited period. At the same time, they are used as exemption, including with a zero tax rate. In particular, in Irkutsk region tax benefits were applied to regional taxes – the corporate property tax and the transport tax.

On the one hand, this measure ensures interests of the population affected by the emergency without allocating additional budgetary resources, which ensures the principle of social orientation of financial and legal regulation (Khimicheva, 2009). On the other hand, tax benefits entail the loss of budget revenues which increases the budget deficit. According to researchers, there is a lack of resources of local budgets for emergency response (Gorbunova, 2010). It is not possible to compensate for the loss of budget revenues from other tax and non-tax revenues (the budgets of municipalities located in the flood zone, and the regional budget). Federal budget expenditures on intergovernmental transfers can increase. Moreover, the public authorities of the affected territories may not provide tax benefits. In addition, the effectiveness of this support measure is doubtful. Indeed, in emergency situations, the targeting of assistance provided is of great importance. The tax legislation determines grounds, procedures and conditions for providing tax benefits which cannot be individual (Article 56 of the Tax Code Russian Federation). Tax incentives are provided to all taxpayers, regardless of the degree of damage caused by the flood and other factors.

The Russian experience in emergency response allows us to identify one more mechanism - the use of the territory of advanced social and economic development (TASED), which involves a special legal regime for entrepreneurial and other activities in order to create favorable conditions for attracting investment and ensuring accelerated socio-economic development and creation of comfortable living conditions. Federal Law “On Territories of Advanced Socio-Economic Development in the Russian Federation” of December 29, 2014 No. 473-FZ (Government of the RF, 2014) stipulates that the TASED regime will be supported by the government. Unlike other regimes (special economic zones and zones of

territorial development), TASEDs are created for large investors which concluded preliminary agreements with the authorized federal body that determine the type of planned economic activities, the volume of investment, and the number of jobs created.

The creation of TASED in Tulun was caused by the need to implement measures to eliminate consequences of the great flood whose damage amounted to about 35 billion rubles. It is an insoluble problem for a single-industry town. In addition, this regime should ensure the implementation of own mechanisms for self-development and improvement of the economic situation.

The measures should be implemented as quickly and efficiently as possible. However, the current legislation on the TASED does not define special conditions for the implementation of such measures. So, most of the measures are implemented out by federal, regional or local authorities in accordance with the Federal Law "On the contract system in the field of procurement of goods, works, services to ensure public and municipal needs" of April 5, 2013 No. 44-FZ (Government of the RF, 2013), which is a rather time-consuming and lengthy procedure.

One more measure which can be implemented to eliminate consequences of emergencies is the public-private partnership (PPP), which involves the implementation of investment projects on mutually beneficial conditions for businesses and the government. The government has a facility, saving on the financing of its construction or reconstruction, entrepreneurs can earn money for maintaining this facility (Federal Law of July 13, 2015 № 224-FZ "On public-private partnership, municipal-private Partnership in the Russian Federation and amending certain legislative acts of the Russian Federation") (Government of the RF, 2015). Thus, when using this measure, extrabudgetary sources for the restoration of territories affected by the emergency will be used.

Along with this, the use of extrabudgetary sources can be facilitated by the economic and legal support for the elimination of consequences of natural disasters and protection of property rights as insurance, which is typical of Russia (Stepanova, 2018). However, according to economists, only 10 % of the potential of the Russian insurance market is used (Khitrova, 2012). Its use is hindered by various factors, which include the insufficient welfare of the population (Kuznetsova, 2016), the low level of financial literacy of citizens, and the unstable financial situation of legal entities caused by economic crises (Zhigas, 2015).

In foreign practice, in order to overcome negative consequences of natural disasters, donations of citizens and organizations are used (Chakravarty, 2018), and special non-governmental organizations are involved in collecting funds for preventing emergency situations and eliminating their consequences (Fathalikhani, Hafezalkotob, & Soltani, 2018). In Russia, this practice is also popular. At the same time, donations are collected haphazardly and fragmentedly, after the natural disaster has already occurred. All this levels their role in the restoration of territories affected by natural disasters.

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

The article aims to identify the most effective economic measures to eliminate consequences of emergency situations and features of their legal regulation.

## 5. Research Methods

The formal legal method contributes to the logical understanding of legal norms regulating economic measures aimed to eliminate consequences of emergency situations; the method of comparative law allowed us to use the achievements of foreign legal science; the comprehensive analysis method was used to study legal regulation of economic emergency response measures in conjunction with other legal phenomena.

## 6. Findings

The study identified the following measures of economic and legal support for eliminating consequences of natural disasters in the regions of the Russian Federation: 1. Financing of public funds; 2. tax benefits; 3. TASEDs; 4. Public-private partnership; 5. Insurance; 6. Private donations. To increase the effectiveness of these measures, it seems necessary to include a separate article in Chapter 10 of the RF Budget Code “General Provisions on Budget Expenditures” that defines the procedure for allocating and spending funds to eliminate consequences of natural disasters, or to make amendments to Article 83 of the Code of Criminal Code regulating expenses not provided for in the budget. In addition, it is advisable to structure the existing reserve funds of the President of the Russian Federation, the Government of the Russian Federation, executive bodies of the regions of the Russian Federation and local administrations, providing for an inviolable part intended only for financing emergency response. Tax benefits for citizens affected by natural disasters should be enshrined in the Tax Code of the Russian Federation. It is advisable to simplify the procedure for concluding federal (municipal) contracts when eliminating consequences of natural disasters. In order to improve the effectiveness of private donations and avoid fraud, it is necessary to coordinate these activities by public authorities.

## 7. Conclusion

To eliminate consequences of emergency situations, both federal, regional, local and private funds are used. In the Russian Federation, federal and regional financial support measures prevail. Private funds are rarely used. There is no property and personal insurance which could reduce budget expenditures. At the same time, each measure has its own advantages, which allow the efficient elimination of consequences of natural disasters.

## References

- Chakravarty, A. K. (2018). Humanitarian response to hurricane disasters: Coordinating flood-risk mitigation with fundraising and relief operations. *Naval Research Logistics (NRL)*, 65(3), 275-288.
- Fathalikhani, S., Hafezalkotob, A., & Soltani, R. (2018). Cooperation and cooptation among humanitarian organizations a game theory approach. *Kybernetes*, 47(8), 1642–1663.
- Gorbunova, O. N. (2010). Ecological disaster and problems of financial law. *Financial Law*, 12, 13–20.
- Gracheva, E. Yu. (2012). Russian financial law: yesterday and today. *Bulletin of Moscow University Series 11. Law*, 3, 20–38.
- Government of the RF (2013) *Federal Law “On the contract system in the field of procurement of goods, works, services to ensure public and municipal needs”* of April 5, 2013 No. 44-FZ. Moscow, Kremlin.

- Government of the RF (2014) *Federal Law “On Territories of Advanced Socio-Economic Development in the Russian Federation”* of December 29, 2014 No. 473-FZ. Moscow, Kremlin.
- Government of the RF (2015) *Federal Law of July 13, 2015 № 224-FZ "On public-private partnership, municipal-private Partnership in the Russian Federation and amending certain legislative acts of the Russian Federation”*. Moscow, Kremlin.
- Government of the RF (2019) *Decree of the Government of the Russian Federation of July 27*. Moscow, Kremlin.
- Huck, A., Monstadt, J., & Driessen, P. (2020). Building urban and infrastructure resilience through connectivity. *Institut. Perspect. on disaster risk manag. in christchurch, new zealand. Cities*, 98.
- Khimicheva, N. I. (2009). Scientifically-grounded principles of financial law as a vector of its action, development and formation of a new teaching methodology. *Financial Law*, 2, 4–6.
- Khitrova, E. M. (2012). On the issue of stimulating demand for insurance services. *Bull. of the Irkutsk State Econ. Acad. (Baikal State Univer. of Econ. and Law)*, 6(86), 27–30.
- Kuznetsova, N. V. (2016). Welfare of the population as a factor in the development of the insurance market. *Baikal Research Journal*, 7(6).
- Lysauskaite, V. V. (2019). Europa: 30 years of disaster protection cooperation and the need to reform the engagement mechanism. *Siber. Law Journal*, 2(85), 120–125.
- Narutto, S. V. (2018). Constitution, federalism and unity of the state legal system of Russia. *Lex Russica*, 11(144), 83–90.
- Oksuz, M. K., & Satoglu, S. I. (2020). A two-stage stochastic model for location planning of temporary medical centers for disaster response. *International Journal of Disaster Risk Reduction*, 44.
- Pope, J. V., & Leland, S. M. (2019). Isn't a Flood a “Rainy Day”? Does the Political Nature of Disasters Impact the Use of States' Rainy Day Funds? *Soc. Sci. quarterly*, 100(7), 2555–2566.
- Povetkina, N. A. (2015). Budget expenses: concept, signs, features. *Actual problem of Russian law*, 8(57), 65–70.
- Sciulli, N. (2018). Weathering the storm: Accountability implications for flood relief and recovery from a local government perspective. *Financial accountability & management*, 34(1), 30–44.
- Stepanova, M. N. (2018). The role and place of insurance in the system of ensuring national security of the country. *Eurasian Integration Project: Civilizational Identity and Global Positioning Materials of the International Baikal Forum* (pp. 206–211). Irkutsk: BSU.
- Yakimova, E. M., Chuksina, V. V., Komkova, G. N., & Nesmeyanova, S. E. (2018). International cooperation in the fight against environmental crime. *All-Russ. Criminology Journal*, 12(2), 88–298.
- Zhao, R. J., Zhong, S. H., & He, A. P. (2018). Disaster Impact, National Aid, and Economic Growth: Evidence from the 2008 Wenchuan Earthquake. *Sustainability*, 10(12).
- Zhigas, M. G. (2015). Prospects for the development of insurance in a crisis in the economy. *Bull. of the Irkutsk State Econ. Acad. (Baikal State Univer. of Econ. and Law)*, 6(1).