

## **THE KEY DIRECTIONS OF THE STRATEGY AIMED AT OVERCOMING DEVELOPMENT DISPARITIES IN THE FIELD OF PUBLIC ADMINISTRATION**

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Key words: community, territorial development, development disparities, public administration

**Introduction.** The economic growth of any country, as a rule, requires the development of directions and mechanisms for overcoming the disparity in the development of community units, which are necessary in order to solve the problems of the development policy of territorial units. This policy includes fiscal, territorial finance management, regulation of the tax system, formation of community finances, investment programs, creation and provision of various services, the solution of which, in connection with the strategy for overcoming the disparity in the development of local communities (SODDLC), requires an assessment of the development environment of territorial units, the level of capacity utilization, resource provision, as well as public administration support. Overcoming the disparity of regional development has become a concept of purposeful activity aimed at a coherent activity of the development goals.

From this point of view, it is important that each of these directions of activity is evaluated and guided by certain standards of development and levels of management (local self-government and state). In the economic system of any country, the purpose of the functioning of the management levels for the implementation of the SODDLC policy is to provide the prerequisites for the complex and sustainable development of territorial units, so that all units have opportunities for balanced development. Achieving that goal requires justifying the directions of balanced development of the territory, conducting the fiscal policy of the SODDLC and choosing such criteria for the management of this overcoming, which reflect the effectiveness of the creation and use of material and financial resources for organizing the activities of regional associations.

**Methodology and literature review.** The theoretical basis for solving the problems presented in our article was the main provisions, viewpoints and concepts, models and methods of the classic and modern theories of public administration, economics, jurisprudence, the reforms in the global practice of public policy, the studies of Armenian and foreign researchers in the field of public administration. The information basis for the study was the laws and legal acts of the RA and foreign countries, the publications and official statistic bulletins of the RA, international organizations (International Monetary Fund, World Bank), as well as the assessments of various experts. In the course of the study, accounting methods were also used. In the study, the data from various organizations were considered, which refer to the interplay between public administration and ter-

ritorial self-government, were used. It's the best way to learn, design, and develop.

Methodological and practical issues of public administration in Armenia under the new conditions after gaining political independence related to local administration were discussed by A.Sh. Harutyunyan [Harutyunyan, 2005], E.H. Ordin [Ordyan, 1998], T.N. Manaseryan [Manaseryan, 2013], V.B. Bostanjyan [Bostanjyan, 2019] and many others. At the same time, many problems of the formation of the public administration system need the development of new and more effective approaches.

**Scientific novelty.** As a result of the study, a number of theoretical and practical results were obtained. From the point of view of increasing the efficiency of public administration, the necessity of recording human, natural, production and financial resources in local communities and their purposeful use was substantiated. The cause-and-effect relationships between the decline in the efficiency of territorial administration and the asymmetry [Mardaryan, 2006] of development have been revealed.

**Analysis.** Now the problems of regulating the stabilization of the financial situation of community associations are being emphasized and brought to the fore. For this reason, territorial policy [Dunn, 2004, 112] has become an integral part of the policy of balanced economic development, the activity of which is represented by the SODDLC and is carried out under the conditions of complex and functional operation of financial and fiscal systems. The expansion of this operation contributes to introducing changes in the order of drawing up the financial balance sheets of territorial associations, and partly in the structure of financial resources. In that regard, we consider it appropriate to provide a certain part of the income tax and profit tax collected in the territory of the communities to the budget of the territorial union. The volume of community budgets, as prerequisites for the balanced development of communities, is still very small and cannot act as a tool of the SODDLC.

The financial system of regional associations includes budgets of communities, financial resources of organizations subordinate to communities, transfers allocated from the state budget, subsidies and funds from other sources. The state budget grants to communities amounted to 22 AMD billion compared to 7.6 AMD billion in 2000, and 10.6 AMD billion in 2004<sup>1</sup>. Subsidies given to communities from the state budget were made for the purpose of financial equalization of territorial associations. In our opinion, grants should be given on a different basis, reflecting regional differences in financial needs, and additional grants should be allocated to communities that are tax-deprived and require balance between revenue collection capacity and financial costs.

Ensuring the SODDLC requires cooperation, integration, regulation of resource and

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<sup>1</sup> [www.armstat.am](http://www.armstat.am)

financial relations between territorial associations, improvement of fiscal activities. Now, a fiscal policy has been formed, which resulted in an uneven distribution of income, restrictions on the application of financial leverage.

At present, the fiscal policy related to the SODDLC is neither tax nor budget oriented. In that regard, the fiscal policy should take into account the optimal distribution of the tax burden between the types of taxes, the increase of the specific weight of indirect taxes, the definition of tax benefits, the amount of coercion, the tax bases and the need to allocate subsidies [Anderson, 2003, 35]. The fiscal policy of RA still does not function as a condition of the SODDLC, this policy does not ensure the stratification of the general level of taxation between regions, does not regulate the ratio of total tax revenues and GDP of the regions. In this regard, it is necessary to improve the functional activity of the fiscal system in order to regulate the formation of the revenue structure of all municipalities, to justify the revenue base of the municipal budgets and the efficiency of taxation. SODDLC should be considered from the point of view of fiscal policy, in order to establish the basis of this policy, firstly, SODDLC provides prerequisites, as well as features of taxation object, base, rate and provision of tax benefits.

Second, to justify the importance of the tax activity of the fiscal system and the subsidies allocated to the municipal budgets in the process of the SODDLC. Thirdly, to define the norms of expenditures from the municipal budgets, according to the costs of overcoming the inequality of their development or the implementation of proportional development problems. Fourthly, to condition the SODDLC on the right choice of the methodology of state regulation of the development of regions, for which the environment of the development of the region and the prerequisites of its formation should be taken as a basis, which should be evaluated based on the application of the features of the fiscal policy. Fifth, to condition the SODDLC on fiscal reforms, which refer to the improvement of the tax base, the rate, especially the privilege, and the existing regulations for the elimination of the tax. Sixth, it is expedient for SODDLC to equalize the total amount of subsidies allocated to communities with the normative costs of the communities' budgets and their total tax revenues.

The solution of many problems of the SODDLC represents serious complications, which are largely related to the use of the features of the functional activity of the fiscal system. One of the features of the fiscal policy is the optimal level of the tax rate, and the other part is the financial support of the budgets of the communities.

From this, it follows that the fiscal system becomes a powerful tool, for this the tax policy needs to be considered from the perspective of a new resource factor and the mechanism of its influence. Second, the tax policy should be derived from the experience of the SODDLC, taking into account the optimal ratio of direct and indirect taxes, which is related to the regulation of the tax system and burden distribution. Thirdly, it is neces-

sary to form the tax policy not only for the solution of fiscal problems, but also especially for the stabilization of the SODDLC and balanced development of communities. Of course, fiscal issues concern the development of mechanisms for regulating tax rates, which are related to overcoming the disparity in the development of regional associations, the management of which should be carried out by the state and local self-government bodies, taking into account first of all the financial security of the development of communities, their own budget revenues, overcoming the disparity of development subsidies allocated for second, based on the issuance and circulation of community loan bonds, to develop the approaches and mechanisms for the formation of the investment-lending system (ILS) in the communities. Third, for the purpose of balanced development of regional associations, the enlargement of communities should be emphasized, which is one of the ways of distribution of urban and rural communities by marzes, administrative territorial division and concentration of financial resources for community development. Community enlargement can increase the importance of municipal securities in generating revenue and financing budget deficits [Nazaryan, 2005]. This issue becomes more significant when we look at it from the point of view of collection of the planned revenues of the budgets of the communities, the level of which is very low in rural communities and is 50-55 percent of the planned. As a result, the development of communities will happen unevenly. In this regard, the need for the formation and development of the community bond market is highlighted, which will help communities have sources of financing and opportunities for balanced development. The establishment of the municipal bond market is important not only for the purpose of financing the deficit of the municipal budgets, but also for the formation and operation of the municipal loan system and the investment-lending sector included in it. In this regard, the innovation activity of large associations is emphasized, which requires the creation of a spatial and regional environment for innovation [Potusek et al., 2003, 56-61], which includes organizational, legislative and socio-economic, competitive and investment environments, which are directly related to the organization of SODDLC processes. In this regard, it should be taken into account for the balanced development of the regions.

- the microeconomic level of investment-innovation processes, taking into account the economic significance of consumption and export of innovation,
- the volume and structure of investment in innovation and the influence of financial leverage on the proportionality of the development of associations in the region,
- the development of a system of comparable indicators for the assessment of the balanced development of regions, the influence of investment-innovation activities on that balance,
- the financial resources of innovation of associations of regions and their proportional sources,
- approaches, concepts of evaluation and selection of investment-innovation projects.

- the creation of a national center of innovation can organize the financing of innovation and determine its importance for the formation of the symmetry of the development of regional associations.

It is also advisable to use leasing funds as financial resources for the RA HMADAH.

- interest in leasing activities in the republic continues to grow. The processes lead to an increase in the number of leasing companies, foreign leasing companies express a desire to enter the local market, which in turn causes the need to create a favorable climate for leasing business in the republic.

- by encouraging leasing activities (including tax incentives), the state can significantly reduce budget allocations for financial investments,

- technological re-equipment of the republic's industry, in our opinion, should be carried out through the creation of leasing companies and joint ventures,

- the adoption of decisions on the creation of leasing companies can be evaluated and conditioned by a number of circumstances, including the availability of equipment acquisition programs and the necessary minimum financial resources, the degree of validity of leasing transactions, the possibility of attracting additional credit resources and setting a profitable leasing margin,

- as well as the reliability of guarantees given to leasing companies,

- the activity of leasing companies should be based on certain principles: purposefulness, lack of collateral, long-term nature, flexibility, availability of funds,

- the mandatory availability of collateral required by financial institutions in exchange for providing credit resources to companies is currently one of the main obstacles to increasing investment risks and providing loans for borrower companies,

- in terms of the initial amount of financial capital, it is more realistic for commercial banks to be the founders of leasing companies in the republic,

- the following sequence of activities of the leasing company was proposed: risk assessment of the investment-leasing project, discussion of the terms of the application for the supply of machinery, economic-legal and technical expertise, development of guarantee schemes, negotiation with the supplier and development of the most favorable purchase conditions, receipt and control of insurance guarantees.

**Conclusions.** The attraction of foreign investments is an important source of financing for maintaining the symmetry of development of regional units.

In order to promote the inflow of foreign investments, in countries like Armenia with a transition economy, especially with small volumes of minerals, the development of a unique substructure of the physical, social and market economy is also important. As the experience of newly industrialized countries shows, if initially the inflow of foreign investments in these countries was determined by the favorable policy towards foreign investors, then the infrastructure factor became crucial later. The development of

substructure unique to the market economy in Armenia is the area to which a less systematic approach has been shown. Thus, we believe that along with a certain level of establishment of the financial and banking system, there is still enough work to be done to develop insurance services and other non-banking financial institutions in Armenia, particularly pension funds, brokerage organizations, investment funds, venture, leasing and consulting companies. These sub-structures contribute to creating such environments for the balanced development of regions as competitive ones.

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### **Nairi SARGSYAN**

#### **The key directions of the strategy aimed at overcoming development disparities in the field of public administration**

*Key words: community, territorial development, development disparities, public administration*

As a result of the analysis of the indicators of individual associations of RA territories and marzes, it was revealed that although the processes of shareholding in RA were fast, but due to the lack of innovations and investments, the companies could not enter the competitive field. Currently, marzes are taking very slow steps to move to the stage of development of competition based on innovations. Among the main reasons for this are the long-term freezing of production capacity, the breakdown of the structure, the termination of the SODDLC and the decline in the natural volume of production, as well as the lack of cooperation and integration of companies and the decline in exports. In this regard, the balanced development of regional associations requires the development of sectoral and regional programs for the development of competition, taking into account the provision of equal conditions of competition in the markets.