Payment Mechanism and Ways of its Reforming in the System of Environmental-Economic Regulation in the Russian Federation

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Abstract: The author analyzes the mechanism of payments for pollution of water objects. Hereafter we present problems and peculiarities of functioning of the entire water sector of the Russian Federation and show the financial strategy of water object management; describe a mechanism for the transfer of water resource to users and the relations that arise in the process; substantiate rental payments for the use of water resources, propose the economic mechanism of water use which is adequate to market conditions; suggest ways of reforming of current system of collection of resource payments. The main ways to improve economic mechanism of water use in the Russian Federation are presented.

Key words: Natural Resource Rents • Water Resources • Water Management System • Ecological and Economic Regulation • Payments for Resources • Taxation

INTRODUCTION

In the context of social and economic transformations in the field of natural resources, new social and economic relations of rent and tax nature and content are emerging. Objective prerequisites for the introduction of legislative principle and mechanism of water charges appeared as the legal form of the implementation of state ownership of water resources, as well as a means of achieving the balance between economic and environmental interests of society. At the initial stage of economic reforms the major changes in the use, restoration and protection of water objects were associated with the adoption of the new Water Code of the Russian Federation, the Federal Law "On payment for use of water resources" and creation on their basis a number of legal acts aimed at strengthening economic methods to control water use and building a more accurate system of federal and territorial governments to control the use of water fund. However, due to the large inertia of the water sector and the economy crisis, formation of economic mechanism corresponding to market conditions failed. In particular, the problems of ownership of water objects, creating a system of economic organization, self-sufficiency and self-financing of water management are still not resolved.

Modern situation with water management in many parts of the country indicates an unfavorable condition of natural water objects and, especially the surface ones, that are now the main sources of drinking water. Assessment projects are needed today to assess the damage, change the order of licensing, supervise water objects, develop regional water management programs.

Practice of implementation of economic estimates into payments system, the strategy of state regulation of reproduction and use of water resources shows that modern water management system can not function properly due to lack of sufficient funds.

MATERIALS AND METHODS

This article has a review nature. Based on analysis of the literature and practical study of the duties, taxes and charges for the use of water objects, it resolves the following tasks:

- Develops directions of reforming the payment system in the process of ecological and economic regulation of water use in Russia;
- Justifies method of taxation in using water objects;
- Offers financial management strategy of water objects;

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Analyzes the role of large, medium and small businesses and the state in maintaining the existing system of environmental and economic regulation;

Substantiates rental payments for the use of water resources.

The Main Part: In accordance with Article 16 of the Law "On Environmental Protection" water pollution is considered as causing harm to the property. For such damage, the payments determined on the basis of basic standards for normative and excessive pollution are set. These payments are not concerned with an environmental offense, because such pollution is like a "permitted" (by licenses), i.e. therefore not a violation of environmental, including water legislation and there is no question of guilt of the causer. Therefore, payments are recovered indisputably, without further authorization, i.e. without judgment of the arbitration court. Rates are set for all water users (organizations, businesses) without regard to their economic condition: profitability, obtaining actual or potential significant income using water resources. In the dynamic conditions of the country's economy, real objectiveness of transition to a higher level of water economic relations has become imminent. Reorganizing economic relations in water use must solve such key issues as evaluation of water resources as a part of the national wealth, identification of their taxable capacity, means of recovering of the surplus (due to both natural and economic factors in use of water resources) rental income to the budget. Payments for the use of water objects can not take into account water rent, as a water tax is paid by all water users and is already included in the cost of production (services); while rents (water rent) are paid only by those water users, who receive additional income through the use of water resources.

The influence of anthropogenic factors on water objects can't be ignored either. Currently the contractual relationship for the use of the water object is in use. The main purpose of water protection from pollution by sewage is to preserve and possibly reduce pollution. To achieve this, each water user is proposed with procedure for calculating regulatory allowable discharges (RAD) of pollutants from sewage, based on the condition of non-exceeding the maximum permissible concentration (MPC) of harmful substances in water objects. Pollution within the MPC for water objects do not cause damage to fisheries. MPC standards currently used in Russia are very strict and sometimes impractical with current level of technical equipment. Therefore, these environmental constraints are not met.

To comply with the discharge of sewage into waterways the enterprises should use such level of local treatment facilities, which requires financial investment often exceeding the cost of the development of primary production. In modern Russian economic relations, this policy is ruinous for enterprises, especially if the mechanism of pollution charges will be introduced. All water users and enterprises are set with limits discharges which should be gradually brought to the level of RAD.

Law "On payment for use of water resources" gives the legislature of the Russian Federation subjects the right to set payment rates by category of taxpayers, depending on the use of water objects, the status of water objects and water supply to the local conditions of the population and economic entities. It should be noted that setting the maximum allowable levels (rates) is aimed for pay, but not for improvement of the characteristics of water object. Therefore, the system of environmental charges is being intensively debated. Payments for the use of natural resources, including water resources, currently don't play a significant role in shaping the budgets for many regions, cities and municipalities. Simultaneously, in the budgets of the municipal level there is a gradual decrease of the proportion of regulatory resources payments which makes municipalities more subsidized. Examples include such regions as Kostroma, Ivanovo, Yaroslavl, Vologda. So, in 2012, the fees paid in the budgets of various levels by natural resources users of Vologda region for the use of natural resources and the negative impact on the environment amounted to 3345.6 million rubles. 75.9% (in 2011-86.2%) from these payments remain on the territory of Vologda region, 16.9% went to the regional budget, 59 % to the municipal budgets. The federal budget received 24.1%. 100% of water tax and charges for use of water resources is paid to the federal budget. Compared with 2011, revenues of water tax and charges for the use of water objects decreased by 14.6%, although the number of payers for the negative impact on the environment in 2012 increased by 112%. Taxes for environmental pollution, being the only method of economic and legal regulation, have a very low stimulatory effect, they are used in isolation, mainly on reconstruction of water supply and sewage treatment facilities of small settlements (in Vologda region, for example) [1]. Obtained revenues are not sufficient to resolve existing environmental problems. Increase in payments to a level comparable with the magnitude of environmental damage will cause rise in output and reduces its competitiveness. The most important thing in
these conditions is increasing the efficiency of fund raising, their intended use, increasing the degree of their turnover, preventing their use in long-term construction-sites. In Russian industry, there is a high proportion of town-forming industrial enterprises. The results of functioning of these large companies determine not only the ecological situation, but also the economy and social stability in the regions. Residents of these cities think more about closing the production and job cuts than about the quality of natural environment. This problem worries only those people who are rather rich, at least have enough money on their bank account. They spend more money on environmental protection from consolidated budgets of regions and cities than what comes in the form of payment for pollution discharges. And, apparently, the regional authorities should be interested in increasing the rates of charges. However, analysis of the sources of budget revenues shows that the regional budget is formed due to the income tax and increasing revenues from pollution charges can cause a disproportionate reduction in this type of tax revenues.

Water management system of Russia is obsolete in many positions and needs urgent modernization and modern development. One of the reasons for this is that "there is no effective owner of the water and water constructions, or he is not defined" [2]. Small business is also hardly interested in reforming of the current system of regulation of discharges, since the possibility of modernization of its production is little in comparison with large business. Thus, in our society, large, medium or small business and even regulatory authorities are not interested in maintaining the existing system of environmental and economic regulation.

To optimize water use and consumption in Russia it is necessary to improve the system of payments, taxes and charges for the use of water objects. The share of payments for the use of water resources in general revenue taxes and fees is low.

Analysis of charges for the use of water objects can lead to thinking that water resources are free of charge because the tax is very small. The current system of fees for use of water resources is not sufficient for optimization of water use, since it ignores the economic evaluation of water as a natural resource. Currently, enterprises pay only for the discharge of sewage into waterways, while fees are calculated through standard fee for RAD, for temporary limits and for exceeding of limits. Admissibility of temporary standards, close to the actual level of water pollution, reduces the incentive of protection activities. To obtain a permit for temporary discharges it is necessary to submit an annual action plan corresponding to the standard level of discharge, while target date of realization is not specified. At present, enterprises aim to make a profit, so excessive emissions stipulated by the legislation can be considered as legalized offense. The low level of fees for the use of water resources leads to the fact that enterprises prefer to pay and not to reduce the discharges of contaminated water in the water bodies. Thus, currently the system of environmental-economic regulation is not able to realize the objectives of preserving the natural environment. It is required to eliminate the "institution" of provisionally agreed discharges as subjective approach which does not correspond to the real state of affairs. The existing system is beneficial first of all for big business. In the process of privatization, big business came into the industries, allowing to misappropriate resource rents (oil industry, metallurgy). These industries are characterized by high pollution load on the environment. Low rates of payment for the use of natural (water) resources are financially advantageous for large companies and business. Domestic businesses are active on international markets. This made them to conduct environmental policy according to the rules of a civilized market (openness, social transparency, publishing of environmental reports). Small business is also hardly interested in reforming of the current system of regulation of discharges, since the possibility of modernization of its production is little in comparison with large business. Thus, in our society, large, medium or small business and even regulatory authorities are not interested in maintaining the existing system of environmental and economic regulation.

At the same time it must be noted that the amount of tax for the use of water objects is not grounded enough and ignores the value of water as a resource. Low fees for water leads to its wasteful use. With all the social importance of water as a fundamental principle of human life support, it should be recognized as an economic product. Water should be a commodity that has a price, the seller and buyer.

The price of water depends on its value as a natural resource (including potential benefits) and costs required for the reproduction of water resources. The real value of water resource is measured by rent. However, in Russia, the most resource-rich country, rental payments stand for very small share of budget revenues. The main emphasis in the current tax system is made on direct or indirect taxation of labor.
In the actual approach of the Russian budget, 87-90% yield tax revenues are from capital and labor (i.e. emphasis on the taxation of salary) and only 10-13% comes from the natural resource rents, i.e. contribution to the natural component of the soil is 10 times less than potentially possible level.

It is possible to increase the share of revenues from the exploitation of "natural", including water, sector if taxation principles for nature use will be changed.

In the current tax system, there is a kind of a paradox: "On the one hand, the contribution of labor to GDP does not exceed 5-7% and on the other-there is a tendency to receive up to 70% mainly due to this factor of production." But objectively, in the existing conditions wages can not act as a tax base, moreover, the main part of it [3-5]. At the same time, macroeconomic calculations show that more than 2/3 of all income in Russia is not created by capital and labor but by natural resource use, which allows the monopolists to accumulate in their hands most of the unreported rental income and possibly leads to its leakage abroad. Only large enterprises operating in the export and appropriating natural rent have profit and do not suffer from the current tax system, that can not be said about small businesses and entrepreneurs, focused on the domestic market [6, 7].

At the beginning of perestroika in Russia, the world scientific community appealed the Russian authorities to form a government revenues by charging rent for the use of land and natural (including water) resources [8-11].

Opponents of rent payments argue that economic rent in its pure form is difficult to determine.

Indeed it is calculated by indirect methods, using the physical characteristics of natural object, such as water body: the quality of water, the availability, distance to the consumer, treatment and additional treatment opportunities, reliability of supply to consumers, etc. Modern appraisers usually use expert estimates. In a preliminary assessment of the taxable capacity of natural resources professional appraisers base their approach on the market prices. The possible level of tax revenues in the water management sector can be rate 5% of the total value of consumed water resource.

For the purpose of more accurate estimate of the natural criterion, the indicator of differential rent should be used.

The world prices for natural (water) resources can also serve as base for economic evaluation of them.

This conclusion is confirmed by Academician D.S. Lvov, who claims that "in the present conditions, world prices should serve as closing costs in many cases. Exceeding of internal closing costs over world prices shows the ineffective use of the mentioned natural resources."

Russian state water policy should be based on gradual transition to full self-financing of the water sector. Water charges should be recognized as the most effective tool for the rational use and reproduction of ecologically significant water resources. Covering of all costs through water user fees is the only secure basis for implementing policies for sustainable water use. During the transition period, the possibility of attracting additional financial resources for critical or emergency actions is also not excluded.

Today there is no connection between the regulatory framework with the environmental component of the water object. Therefore, the development of the regulatory framework should be designed to encourage the rational use and reproduction of water resources, which presupposes improving of the existing system of taxes and charges. Today, the laws of the Russian Federation are fiscal in nature.

CONCLUSION

Water use is a collection of all forms and types of use of water resources in the general system of nature. In theory water use without changes in water quality is allowed, but more often the qualitative characteristics worsen, which affects the biodiversity of the aquatic ecosystem [12, 13].

Water use is stable in case if the natural water resources are renewed or replaced by artificially prepared water resource, i.e. there must be a balance: the amount of consumed water should be equal to the amount of purified water, which we return to nature. We should understand the difference between the value of water (it is measured by rent) and willingness of society to pay for water (market valuation methods). This difference will be an incentive to ensure that the system of water management will be provided with appropriate tools which will bring the level of reproduction of water resources in accordance with the volume of their reduction.

Modern level of water management requires consideration of features and environmental sustainability of aquatic areas of territories and calculating of economic, environmental and social effects of water use.
Inference: State water policy should consist of stimulating the economic management of water resources, development and application of modern technologies for wastewater treatment.

In the near future it is necessary to ensure the implementation of the economic mechanism of water use adequate to market conditions. For these purposes, the sphere of civil relations between the economic entities that use the resources of water facilities should be expanded, on the one hand and those economic organizations which are responsible for these water facilities, engineering and technical improvement of water objects, ensuring the quality of water in them, on the other hand.

The laws should form the financial framework of the water sector on the basis of payments for the use of water objects. At the legislative level it must be established that the funds collected should be strictly targeted, that is, they should only be used for the purposes of the water sector. Reforming of payment institution can become the basis of modernization of regions and create real incentives for innovation development in Russia.

REFERENCES