

## **Final Policy Paper**

# **Local Development in Russia: from Administrative Planning to Participatory Policymaking**

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## **Executive Summary**

Policy recommendations suggested in this paper are based on the analysis of the evolution of local development policymaking in several Russian cities. Participatory strategic planning approach used in these cities allowed to build up policymaking from ground zero, since local authorities in Russia previously have had neither experience nor skills in independent policymaking. This approach is claimed as both a *policy* suggesting more effective usage of local resources and better adaptation to rapid environmental changes; and also a *policy process*, a new way of decision-making at local level. The recommendations aimed at the promotion of citizens' participation and strategic planning as a single package since. This approach sets the conditions for spreading participatory mechanisms into other sphere of public policy and governance and further will allow the participation principle to be normalized and subsequently internalized as a value by local politicians and public officers.

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*Cities are made up of people and their hopes – not of buildings and streets.*

Augustin, 400 A.D.

## **Introduction**

In the 1990s, local authorities in Russia faced major challenges in the transition to democracy and market economy. First of all, this was expressed in decentralization policies and the expansion of powers transmitted to the local level. Local authorities received greater political and financial independence and were thus given an opportunity to be more responsive and effective in dealing with the needs of their citizens and creating the conditions for economic growth and development of the settlements. However, the degree to which potential for these developments can be realized, substantially depends on the quality of policymaking. The previous system of decision-making at local level, commonly known as administrative planning, had to be changed into one which would be adequate in the new environment and enable the potential advantages of democratization and decentralization to be realised.

This policy paper seeks to provide local and regional authorities in Russia with the recommendations on improving local development policymaking and strengthening the mechanisms, which allow organizing this process basing on principles of the balance of interests and citizens' participation. Policy recommendations suggested in this paper are based on the analysis of the evolution of local development policy making in several Russian cities. Two of the main issues addressed in that study were whether administrative planning was changed by a new system of views on local development and whether it did become more transparent and open to public. The institutional approach used in the research was focused on the political, organizational and governmental aspects of the policy process at the local level.

## **1. Problem Statement**

### **1.1. Problem Background**

The period of Soviet power (1917-1991) was characterized by the dominance of a system of centralized planning by directive. Enterprises were governed by a mixture of plan assignments and limits on the use of resources necessary to carry these plans out. These plan assignments were a component part of the plans for the economic branches and the regions. Territorial socio-economic planning for oblasts, cities, and other territories was always more weakly developed than branch planning.

The territorial plans for socioeconomic development formed the basis for the general plans and in the allocation of productive forces. These general plans determined the spatial distribution of enterprises, housing, and services, as well as the provision of recreation zones and so forth. The general plans were resource-justifying documents, i.e., after their approval by the Soviet government, they served as the foundation for territories lobbying for centralized funds for the implementation of the plans. As centralized planning was in practice a way of life for the bureaucratic market (trading to reduce plan assignments and increasing limits on the use of resources), powerful branch ministries and major industrial enterprises always had greater opportunities than did the territories to lobby for their interests. Thus, implementation of general plans and other territorial plans tended to have less of a compulsory nature than the implementation of five-year and annual plans for the branches and enterprises.

The results of this system were retarded development (and a constant lag in industrial development) in the social sphere, in services, and the infrastructure, as well as a housing shortage. On the whole, centralized planning by directive produced mounting disproportions between the branches and territories and the inefficient utilization of resources. In the case of land, this was reflected in an extremely low density of land use and a hypertrophy of the industrial zones, all in conjunction with a weak development in the social field and in other infrastructures.

Among liberally inclined economists and politicians, the new class of entrepreneurs, and arguably the population as a whole, the beginning of radical economic reforms in 1991 were characterized by a steadfast aversion to any form of planning. On the other hand, the Communists, the pro-Communist electorate, and various nationalistic movements, as well as those direc-

tors of enterprises and the Soviet nomenklatura that had retained power, demanded the return to the old forms of planning by directive. Under these conditions, territorial planning, which was already fairly weak during the Soviet era, found itself in profound crisis. The previous system of decision-making at local level, commonly known as administrative planning, had to be changed into one which would be adequate in the new environment and enable the potential advantages of democratization and decentralization to be realised.

## **1.2. Policymaking Environment**

### **Political, Legislative and Governance Contexts**

For the comparatively short period since the beginning of liberal democratic reforms, the legislation concerning local self-government system has suffered from a large number of changes. Since 1990 the formation of local self-government system in Russia has passed through several stages. Each of them signified a new turn in the arrangement of powers in the country and its political structure. Indeed there were a mixture of centralization and decentralization tendencies in the reform of local self-governance. Ill conceived attempts to balance the powers between the various levels of authority and the ruling elites placed local self-governance in a tight corner one that was characterized by contradictory legislation and unstable relations on the vertical axis of powers: federal center – regional authorities – local self-government.

It is not surprising that under such conditions the fiscal autonomy of local authorities and their capacity to deal with local problems were seriously restricted.

*Firstly*, local authorities suffered from an imbalance between the resources and the responsibilities that are transmitted to the local level. The failure of the federal budget to meet its liabilities raises the problem of an *under-funded federal mandate*<sup>1</sup>.

*Secondly*, the entire system of inter-budget relations experienced realignment, and this has also in some ways negatively affected the financial condition of the municipalities. At the sub-national level, the Russian environment for decentralization is characterized by wide opportunities for the regions to decide almost unilaterally on the specific budget sharing arrangements

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<sup>1</sup> The phrase "federal mandate" refers to a regulation or regulatory burden which is imposed by the federal government on a state/regional or local government.

with municipalities (Freinkman, L. and Yossifov, P. 1999). In contrast to the decentralization of power at the federal level, they preferred a paternalistic model of relations with the local governments. Thus Russian cities and municipalities operate within a system of extreme fiscal discretion of regional governments. This tends to have a negative impact on their efficiency in providing local public goods and infrastructure services.

A *third* significant factor which limits the capacity of local authorities to govern local issues, is the lack of governing experience in the new conditions. The old techniques and methods were unable to address the new realities whilst many of the new recommendations for and standards of governance were not organized within proper time. Prevailing forms of control became based on instruction, letters and decrees from federal and sub-federal bodies. Owing to their concrete nature the norms suggested in these documents gained more authority at local level. The continual amendments and changes in these documents de facto become a powerful force for centralization.

### **Institutional Framework: State-capture Phenomena**

In trying to understand the policy process at any level of authority in Russia (as in many other transition economies) one inevitably faces the phenomena of the *privatisation* of the policymaking or “state-capture” (Hellman, et al. 2000), i.e. the conditions under which large enterprises (or other bodies) are able to exact influence over the enactment of laws and policies through the provision of private benefits to public officials.

It did not come as a surprise when Russia scored the fourth in the composite index of state capture i.e. the conditions under which large enterprises (or other bodies) are able to exact influence over the enactment of laws and policies through the provision of private benefits to public officials among 20 transition countries in the BEEPS1999 survey<sup>2</sup>. As Slinko, Yakovlev and Zhuravskaya argue in their research (2002) appropriately scaled, the regional picture largely repeated the one at the federal-level. Firms engage in this type of rent-seeking behavior in order to perpetuate the property-rights regime that restricts new entry into their markets, that preserves their opportunities to arbitrate between the reformed and unreformed parts of the local economy,

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<sup>2</sup> BEEPS1999 was a Business Environment and Enterprise Performance Survey, developed jointly by the World Bank and the European Bank for Reconstruction and Development in 22 transition countries. See <http://info.worldbank.org/governance/beeps/> for BEEPS1999 description, data and papers.

and so protect themselves from regulatory interference by the central government. In many cases, both regional and local governmental policies, are characterized by this form of capture, where policies and regulations are enacted to the exclusive benefit of large formerly state-owned enterprises.

As Hellman (2000) points out in his paper, the facilitation of growth and structural reform in the economy requires the establishment and promotion of a democratic policy process, which not only limits the influence of those social groups which intend to maintain control over their rent sources, but also can ensure the responsiveness of the authorities to the interests and voice of those less successful constituencies. One of the greatest problems in this respect is the social apathy of the population and the under-developed institutions of civil society, which are able to assert some degree of accountability over local authorities and secure the interests of the local community in local development policymaking.

To summarise, based on the above analysis we may identify three major directions of actions necessary to facilitate local development:

1. The provision of fiscal autonomy for local authorities and the creation of appropriate incentives for such development.
2. The development of appropriate policies and policymaking models regarding local development.
3. A de-privatization within the decision-making process and the strengthening of the responsiveness of the authorities to the interests and voices of the diverse groups within the local community.

This policy paper is addressing the last two questions.

## **2. Assessment of the Alternatives**

In the described above conditions, a search for the methods and models of local development planning did start and, with varying degrees of success, local authorities have begun to work out documents that lay out their development priorities. The realignment of the system of inter-budget relations, the economic decline that followed the 1998 financial crisis intensified the



demand for development to be based upon a more effective use of local resources (engaging local development potential) and an adaptation to the rapid changes in the external environment. Certain cities chose the model of strategic development planning as an answer to these challenges.

The research conducted by the author examined the evolution of local development policy making in several Russian cities. The institutional approach used in this research was focused on the political, organizational and governmental aspects of the policy process at the local level. As a result, the experience of 13 cities was studied during the course of this research. This research showed important thing happened is that now local authorities have a choice of the development policymaking models between – traditional administrative planning and participatory strategic planning.

## **2.1. Two Policymaking Models: Traditional Planning versus Strategic**

First, let us very briefly overview the differences of the given approaches. Strategic planning is a tool that the public sector has borrowed from business (Bryson J. and Roering W. 1988, Kemp 1992), it is a creative process – art as well as science – by which a community models the desired future and develops the necessary procedures and operations to achieve their vision for the future (Bryson 1995, Zhikharevich 2002, Urban Institute 2002). It differs from the traditional model of comprehensive planning in several important ways.

**Table 1. Traditional and Strategic Planning**

<b>Traditional</b>	<b>Strategic</b>
Short-Run	Long-Run
Administrative Issues	Community Issues
Low Level of Citizens' Involvement	High Level of Citizens' Involvement
Directive-based	Consensus-based
Employers-oriented	Citizens' oriented
Management oriented	Policy oriented

- q Strategic planning is pro-active. Through the strategic planning process, the community seeks to influence the future not just adapt for it.

- The comprehensive plan covers all the activities that should be done without indicating which are the most important; the strategic plan focuses on just the critical strategic issues and directs resources to the highest priority activities. Setting priorities is necessary because the resources available to local government and the community are less than the demands made upon them.
- The comprehensive plan is usually produced by experts, but the strategic plan is developed by a team that represents the local community and all the entities that will be asked to implement the plan.

Thus, we may regard the participatory strategic planning model (PSP model) both as a *policy process* and as a *policy* itself. As a policy, it answers the question of how to deal with the scope of development issues and recommends shaping the future and maximizing benefits using local advantages and external opportunities. In contrast to the all-embracing approach commonly used in traditional comprehensive planning, it suggests a focus on the highest priorities. As a policy process, PSP model addresses the organisation of development planning suggesting a set of procedures and sequence of stages analogous to the classical model of the policy process, starting from agenda setting and finishing with monitoring and evaluation.

## **2.2. Failure of Traditional Administrative Planning Methods**

As already stated in the paper, there is precious little experience of designing the policy process in Russian local and regional authorities. In 1990s, this started from ground zero and it unsurprising that some first attempts to lay out priorities and development goals failed. Three key problems related to these attempts to revive administrative methods can be identified.

*First*, the developers, that is the administrative departments, conducted work on their parts of the document separately from each other. They were often unable to build consensus among themselves in cases of conflict. Under this scheme of work, they also lack a perception of the upper level goals and usually just tried to justify their budget needs in ignorance of these.

*Secondly*, the problem-oriented approach dominated in these documents (Jounda 2002) is of limited effectiveness if the system faces the challenges of constant changes. Problems transform as time goes by yet developers and working groups try to solve them as if they were still in their initial state (Ackoff 1972). It will be no surprise then that in the highly unstable and often unpredictable environment, the majority of these documents were never implemented.

*Thirdly*, traditional planning methods used by developers tended to have a short term planning horizon, were staff oriented and did not receive support from the society. Thus it was usually not possible to attract additional resources apart from the budgetary ones. Taking into account the tendency to reduce the level of tax revenues from the local budgets and to decrease of share of capital expenditures, the ability of these methods to have a significant contribution to developments was limited.

### **2.3. Participatory Strategic Planning Model: Pro et Contra**

The examination of the case-studies and the policymaking environment conducted during the research allows us to conclude the following:

*Firstly*, participatory strategic planning model became an adequate answer to:

- Frequent and unpredictable changes in the external environment (political, legislative, financial and governmental).
- Cuts in revenues of local budgets and expenditures regarding developments which the local budget is able to carry out.
- Impossibility to rely further on administrative planning methods, which often led to failure in the new conditions.

*Secondly*, the participatory strategic planning model allowed to:

- Build up the policymaking process from ground zero, since as we stated in the beginning of the paper, local authorities have had neither experience nor skills of policymaking. During the soviet era there were no independent policy authority.
- Build consensus in the local community about the idea of achieving the desired future by joint efforts and formulating the prioritized actions necessary for that.
- Balance the social and economic dimensions of development and avoid the decisions going against the interests of the local community and negatively affecting vulnerable groups.
- Strengthen the dialogue between authorities and entrepreneurs, and make it transparent thereby decreasing the risks of the privatization of public policy. It would be naïve to assume that participatory strategic planning model may solely solve the

problem of state-capture. Nevertheless the legalization even of a part of the conversations occurring behind the scenes will be a significant step forward. It creates an opportunity for the local community to observe and control these dialogues and intervene where it becomes necessary to secure the community's interests.

At the same time, a participatory strategic planning model contains certain risks.

Among the risks most often mentioned, the principal one is the risk of *lead-timing* the process and therefore the *costliness* of the participatory mechanisms. However as this research showed this risk is not considerable. In all cities studied in the course of this research, the process of strategic planning took a year as rule. Although most respondents representing cities could not give the exact sum of money spent in the development of the strategic plan, they estimated that the share of the expenditures tied to public involvement did not exceed 10% of total expenditures.

As the experience of several cities showed, the risk of lead-timing is much higher when the process is more affected by rearrangements in the city's administration or in the case of *change of political leadership*. Nevertheless, as already stated, this risk may be reduced by several ways, including the mechanism of permanent commissions, adoption of the strategy by the local legislative assembly and the organization of the entire process by an independent facilitating body.

A second *risk of token playing the game* of participation. In such a case participation becomes a formality whereby the developers pretend to take into the account public opinion. This risk is higher when the development of the strategy is connected with receipt of donor assistance or similar outside sources of funding. There are at least two ways to control this risk. First is the provision of the mayor's participation whose position and authority can set the purpose of true participation (although in an electoral campaign there is a danger that this itself may turn out to be a PR exercise). A second and arguably more effective way is to use organizational mechanisms to clearly regulate methods of identifying stakeholders, establishing procedures for public involvement and, in particular, appointing co-heads of thematic commissions from representatives of the NGOs and community leaders etc.

A third serious risk is *misunderstanding of the PSP* model and the methodological provision of the process. As research showed that in Russian practice there is no, as yet, single treatment of strategic planning. Often developers rely on their own understanding of the concept. This may lead to implementation failures. This perhaps would not be surprising. When a new

concept receives recognition one result is to find in a particular city not necessarily a strategic plan but “something similar”. Here we would like to distinguish between this situation and the “*escape hatches*” phenomena (Apthorpe 1986). “The latter refers to a situation when developers try to explain its poor performance because of the shortcomings in its implementation. Here we can say that the developers are not adhering to a strategic planning methodology but are still using the label of strategic planning. An example here is when participation is not systematic, and the thematic commissions are formed by chance rather than a rule. By in large, the organization of participation is not as easy as one may imagine; it requires careful consideration and innovative design of methods. In practice it is often much easier to involve leaders (both from business and third sector) than to design a process which allows diverse groups and in particular “outsiders” to be involved. Leaders can be well known. To involve outsiders it is necessary to understand who they are, and invent methods to stimulate their participation.

Returning to the risk of “*escape hatches*”, a typical mistake of developers is that it is usually not enough to draw up a strategy, it is also necessary to establish a system of control and put in place appropriate changes to the entire system of city governance in order to make the new mechanism work. But in all likelihood, the most brilliant strategy may only be regarded as successful in case of its implementation.

Here we have considered most widespread risks. The main conclusion is that each of them can be managed. There are few universal recipes or formulas, but in each particular case developers may find their own ones, which will be most appropriate to the situation.

### **3. Conclusion and Recommendations**

Strategic planning is a new practice in the governance of Russian cities. Its dissemination was supported by a range of international donors and local think tanks which promote strategic planning approach in tandem with public participation principles. The number of the cities adopting this approach grew has grown year to year and numbers around one hundred by now (Zhikharvich 2002). However only a small group of them (about 20-30 cities) are consistent in implementing this practice and have made significant progress – St.-Petersburg, Cherepovetz, Kazan, Ekaterinburg, Novosibirsk, Obninsk, and a few others.

We may conclude that the use of strategic planning represents a transition to a new quality in both local policymaking and development policies. The quality of the results depends on how consistent local authorities will be in implementing the approach. The promotion of participation principles and strategic planning as a single package sets the conditions for spreading participatory mechanisms into other sphere of public policy and governance. It creates an opportunity to show how these ideas work and, when the results are tangible, it allows the participation principle to be normalized and subsequently internalized as a value by local politicians and public officers.

Overall participatory strategic planning model in Russia has gained sustainability and power but, at the same time, it still requires careful attention and support.

### **3.1. Recommendation for Local Authorities**

Participatory strategic planning model allows local authorities not only to improve their governance practice and manage the development process but also to gain significant political benefits. On the one hand, this approach allows to lay out the system of local development priorities and attract additional resources necessary for their implementation, on the other hand, it allows to co-ordinate the interests of various groups within local community, build a consensus among citizens and entrepreneurs etc. on local development goals and thus to receive their political support. Availability of the strategic plan contributes to positive image of the city and its administration. It also promotes inflow of outside resources from both private investors, international donors and financial institutions and also additional appropriations from upper level budgets, since having the strategic plan and agreed development priorities becomes a strong argument in negotiations with regional and federal authorities.

Description of the methodology of the strategic planning and particular techniques used in this process are already widely reflected in both foreign and domestic literature (see for example Jounda, Zikharevich et al 2003), that is why we are not going into details here and list only basic principles of the development of the strategic plans.

- Strategic planning is pro-active.
- The strategic plan focuses on the critical strategic issues and directs resources to the highest priority activities.

- The strategic plan is developed by a team that represents a local community and all the entities that will be asked to implement the plan.

However, literature regarding theory of strategic planning pays far less attention to issues of public participation and the methodological provision for this process. As a result the difficulties which local authorities and facilitators of the strategic planning process face in this sphere are often underscored. Thus in these recommendations we will focus on participatory aspects of the strategic planning.

From a participation point of view, the cities use roughly the same set of forms and mechanism to provide for public participation, namely:

- Thematic commissions and working groups.
- Councils on strategic planning.
- City's conferences.
- Surveys and polling.
- Telephone Hot-lines.
- Presentations.
- Publications in mass media etc.

All these forms presuppose different levels of citizens' participation, among which we may differ active and passive forms. Passive forms are aimed at informing citizens about the progress of the work and its results (publications, presentations) and receiving data necessary for developing strategy (polls, interviews). They may be used for receiving feedback concerning implementation in order to evaluate performance and levels of satisfaction in specific measures. Active forms of the participation presuppose more active involvement of the local community representatives in developing strategy, i.e. working in thematic commissions, working groups, city's planning council etc.

Establishing preferences for one or another form of participation depends on the stage of the policy process and the task which the developers face at the particular stage. While the goals, priorities and forming actions' plans are set active forms must prevail. Passive forms allow for broader involvement of public and may be used throughout the entire process of development and implementation. They become crucially important at the stage of analysis and evaluation of

the strategy's performance. The last aspect – the use of polls for evaluating citizens' satisfaction is very important and such polls should be held in all cities of Russia.

An additional argument for more *pro* active forms of participation is the close interrelation between the strategic planning process and *political cycle*. To ensure the continuity of the planning process, it is necessary to establish permanent bodies such as commissions and councils on strategic planning which consist of representatives of diverse groups of local community, and not only of representatives of a local administration and groups close to it. In case this is not done, the chances of delaying or even threatening the planning process will increase altogether with a change of a political leader. At the same time, it would be wrong to underestimate the *role* of the *political leader* in the strategic planning process. Like any policymaking process, it requires strong leadership and the involvement of the city's mayor.

Examining the political cycle raises the question of the *status* of strategic plans. Should it be a requirement that the plan is adopted as a legal act akin to a public treaty? As the experience of St.-Petersburg assume the legal status of a public treaty is still sufficient to achieve tangible results during implementation. On the other hand, there are certain disadvantages of this approach. Preserving the plan despite changes of the city's officials requires that it is adopted by the members of the local legislative body after public discussions.

There are a number of alternatives for organizing the development of the strategic plan. For example, the coordinating unit may be both inside and outside of the city's administration. Although, initially, the process is subject to the dictates of the local authorities to a greater degree, there is also an immanent risk of discontinuity due to rearrangements in the administration. On the other hand, it is difficult to imagine the realistic strategy developed by NGOs if this process is not supported by the local authorities. We may be sure that in the absence of a coordinating body the strategy implementation will be threatened even if it is possible to develop it, as we have seen in case of Cherepovets,. Overall, attempts to follow standard schemes or to replicate another city's success must be very careful.

Finally, there are some words regarding the relation of the strategic planning to other types of planning in the municipalities. A view on strategic planning as a remedy against everything and any problem leads to misunderstanding and underestimation of the hardships which developers face during implementation. The Strategic plan must become a base for coordinating other planning activities and be connected to short- and midterm planning. As strategic planning is an ongoing process of local development policymaking, it is important to include procedures for



monitoring and evaluation and the timely correction of strategy. Moreover, in many cities the chosen strategies have broad context and refer a range of local policies such as in housing, urban utilities, labor market etc. Thus, strategies are closely linked to and influence the day-to-day running of the city and the particular policies of the local authorities.

### **3.2. Recommendations for Regional and Federal Authorities**

In recent years the major tendency in reforming of the local self-governance system in Russia is the strengthening of the centralization and shift of financial resources (tax revenues etc.) from local budgets towards regional and federal ones. This tendency in its turn implies the obligation to support local development, both financial and organizational.

As practice shows the dissemination of the strategic planning is significantly influenced by position of the regional authorities. For instance, in the contests for the best local development strategy held in 2000 in Pskov region and in 2001 in Leningrad region all cities in these subjects of federation were engaged. Regional authorities support these activities in number of other regions, for example, in Chelyabinsk, Krasnoyarsk, Penza, Khabarovsk regions. Experience of these regions may be expanded to other subjects of federation.

Activities of federal and regional authorities aimed at support of the participatory strategic planning must include following points:

- Region-wide competitions on development of strategic plans
- Provision, on competitive basis, of the financial assistance for the implementation of local development projects;
- Development and dissemination of the standards of the strategic planning and best-practices regarding local development and civic participation;
- Promotion of the development of the professional networks of the specialists (experts and municipal servants) engaged in local development.

The last direction of activities is particularly important because is not enough to have officially adopted standards of strategic planning for the sustainable development of this practice, as foreign experience shows the development of this process can be successfully facilitated through

networks of the professionals, both practitioners and researchers, that provide local administration with recommendations, professional training and in some cases practical assistance.

The following priorities must be among the essential ones aimed at the support of the strategic planning and participatory mechanisms of governance:

- Introduction of the Monitoring and Evaluation procedures for the assessment of the performance of particular projects and programs developed and their implementation within the framework of the strategic plans. In particular it is introduction of the participatory forms of M&E which allow receiving feedback from citizens and evaluating their satisfaction.
- Strengthening neighborhoods (TOS) and their role in local decision-making and solving local problems;
- Increase of transparency and accountability of the local governments which simplifies the access of citizens to information and public services.

### **3.3. Future Indications**

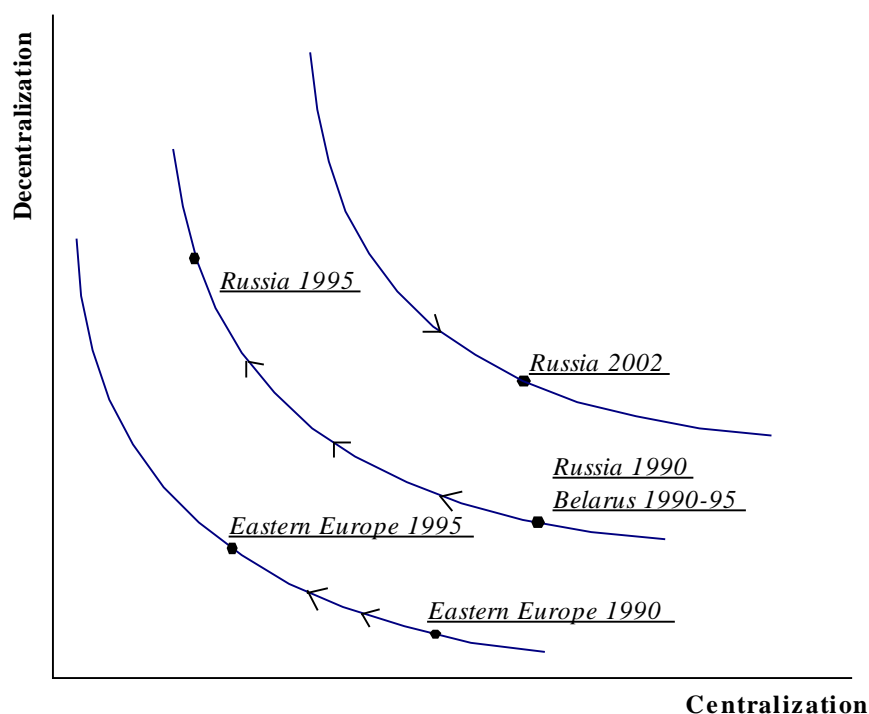
From January 1, 2006 the New Law on the general principles of local self-government organization in the Russian Federation, from the so called Kozak's package will come into the force marking the third stage of the reform of local self-governance in Russia. It is necessary to ascertain that the work of Kozak's commission which was in charge of the preparation of the law was very transparent and well-organized. In 2002-2003 the draft of the law have been discussed several times during the conferences and workshops with participation of the federal politicians, representatives of the local authorities and experts. A nation-wide collection of the comments and amendments to the draft law was organized. Such practice wasn't used before in the history of the young federalist system in Russia (apart from case of the preparation of Constitution 1993). A wide circle of opinions regarding local self-governance system and new law has been considered by the commission but not all of them were finally accepted.

As many experts point out that the new law contents significant risks. First of all it marks the tendency according to which local self-government becomes a system serving interests of the state primarily but not citizens' and local community' ones as a whole. At least the law pays much more attention to responsibility of local self-government to the state than to citizens. De

facto local self-governance system becomes a third tier of the state and its efficiency and performance is evaluated by the state, not by citizens.

The law is focused on organizational and political aspects of the reform of the local self-governance. It marks borders of the municipalities and structure of their administration, whilst among the most urgent issues there are: imbalance of responsibilities and financial resources, in particular due to the lack of legislation which regulate use of land and municipal property. Regarding financial foundations of local self-government the law focused on inter-budget relations and primarily on leveling the financial resources of some municipalities at the expense of others. But it still does not create the ground for the sustainable fiscal autonomy of the municipalities.

As we already stated in the paper during the 1990s and the beginning of the 2000s there was a mixture of centralization and decentralization tendencies in the reform of local self-governance. Federal government made attempts to balance the powers between the various levels of authority and the ruling elites. We can illustrate this with the modified version of the graph suggested by Djankov (Djankov et al. 2003).



Taking into account these considerations it is possible to suggest the hypothesis of the “swinging pendulum” – as local self-governance system in Russia is on the way to equilibrium but it has not yet reached it while at least one more iteration or swing will be required to achieve it.



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