

# RECENT TRENDS IN THE RUSSIAN REGIONAL POLICY AND USE OF THE EU COUNTRIES' EXPERIENCE

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## Regional disproportions in Russia

On the basis of the official statistics analysis it is possible to conclude, that in Russia regional socio-economic disproportions in level of economic development and quality of life are great: in 1997 the difference between maximum and minimum was 21 times for GDP per head (1996), 13 times for income per head (10 times taking into account purchasing capacity of rouble in different regions) and 14 times for level of unemployment (see statistical yearbook for Russian regions for 1998). By their scope Russia considerably surpasses countries of EU).

There is the basis to approve that in the 90-s years occurs sharpening of regional disproportions. The geography of Russian crisis is very unequal and that caused further increase of territorial disproportions. Huge regional socio-economic disproportions are dangerous for any country, especially such big and non-uniform as Russia.

One can see increase in anti-Moscow "moods" practically in all regions. The main reason of this phenomenon is higher benefits received by Moscow in the period of reforms, reflected in much higher level of personal incomes, than average in the country (more than 3 times higher, than in the country on average), better employment opportunities (both in official and grey economy).

The state has to react on existing spatial disproportion, i.e. has to conduct socially and politically oriented regional policy.

Recent financial and economic crisis (after August 17, 1998) increases disintegration tendencies in the country. One can saw a lot of economic separatism attempts from regional authorities, fragmentation of all-country market. Discussions about future unity of Russia again become popular in mass media and scientific community. Necessity in regional policy became even more obvious after "August events".

## Institutional infrastructure of regional policy

In RF so far, despite availability in the country of big regional socio-economic disproportions, effectively functioning system of regional policy has not yet developed. It is determined by many factors, the not last place in a number of which takes institutional factor. The efficiency of any regional policy in many respects depends on how institutions, created for its “registration” and realisation, are organised and work.

In RF various aspects of regional policy are realised by various official institutions, without proper co-ordination of their activities in the field (sometimes they even compete with each other – as Ministry of economy and Ministry of regional policy). Another big problem is – the institutional instability of regional policy in the country (practically during all 90-ies years).

Theoretically country already for several years has all necessary institutional infrastructures for realisation of regional policy. Till now in Administration of the President there was Territorial Department (and under “tutoring” of other department the representatives of the President worked in the regions – see below). There is now separate Ministry of regional policy (ex-Ministry of national problems and federal relations). In addition to this, “regionally oriented” departments exist in Ministry of economy. In both chambers of the Parliament (in Duma and in Council of Federation) there are commissions on federalism and regional policy.

In Administration of the President one couldn't find structures directly engaged in nation-wide regional policy, though the Administration conducts monitoring of socio-economic situation in the regions and still has large opportunities of influence on the administration of the regions. It carries out own regional policy of Administration, largely subordinated to the achievement of the political purposes. Problems of regions are sphere of activities of 2 above-mentioned independent departments: earlier they were parts of one big department and now are again in process of unification. Under conditions, when the role of President is decreasing, possibilities of Administration become smaller.

Formally just Ministry of economy was leading until now in the field of regional policy. Thus it considers as sphere of its activities only regional economic policy, and till now pays very little attention to other aspects of spatial effects of state influence, including social ones (only as slogans, but not as guidelines of practical activities).

Obviously, that the activities of the Ministry provides realisation of economic strategy of government in regions, decides huge quantity of current regional and local problems. At the same time its activities can not replace state regional policy, directed on smoothing of spatial distinctions in quality of life and level of development, frequently even to the detriment of economic effi-

ciency (the latter, and is absolutely fair, dominates in the activities of the Ministry). If to recognise the social bases of regional policy, it is absolutely clear, that Ministry of economy cannot be main institution responsible for it.

From autumn of 1998 country has independent Ministry regional policy, which included part of Ministry of regional and national policy and previously independent State committee on development of the North. Ministry of regional and national policy existed, officially, only from spring 1998, earlier it has another title – Ministry of national problems and federal relations, and the latter till 1996 has another official title – Ministry of nationalities and regional policy. Before 1998 changes formally the Ministry realises policy of state in the field of the national and federal relations, local self-governing. Now the Ministry is still not closely connected, in its practical activities, with questions of regional policy, but try to occupy new field.

It is the third attempt of the Ministry to play more active role in federal regional policy. In 1993–95, when in the name of Ministry there was word collocation “regional policy”, attempts has been done to make regional policy one of the main directions of specified Ministry activities. The Ministry even discuss its regional policy programme (see below) in the Council of ministers (1995–96), but without any practical consequences. The programme has been rejected.

Current “administration” of the Ministry tries to include regional policy into sphere of its activities. At the moment only basic documents are preparing and it is too early to discuss even first results. Two obvious problems exist: Ministry can decide to work only in sphere of federal relations and municipal problems (and call these “regional policy”) or other more powerful ministries would not give rights and means to the Ministry (for regional policy realisation).

It is necessary to stress, that the Ministry can become the leading executive body in the field of regional policy. But in future legislative decisions, concerning the role of Ministry in regional policy, it is necessary to exclude effect of the subjective factors (so strongly influenced on the regional policy in the Ministry).

Previously independent State committee on development of the North formed federal policy concerning northern territories and executes its realisation. A sphere of the Committee activities varies from scientific researches and monitoring till realisation of “northern delivery” (supply of various goods by water transport to remote northern areas during short summer, only period when it is possible). As a whole it was possible to welcome the existence of such complex development body for the super-region, covering 2/3 of the country territory. Just due to existence of the specified Committee the North and its population “are supplied” by the laws on the order better than other territories.

At the same time the Committee acted absolutely independently, development of the northern territories were not co-ordinated with regional development of country as a whole (to the point, so was and during its – Committee – functioning within the framework of Ministry of national problems...). The development of northern territories was considered as a separate task, their problems are not compared with existing in other regions. From the point of view of northern territories development existence of independent management body is positive phenomenon, but realisation of all-country regional policy it hinders. Now the main task is real integration of ex-Committee (even separately located in Moscow) into the new Ministry (till today this part of Ministry of regional policy de-facto continue to work independently). Otherwise the state would receive 2 regional policies.

The special attention deserve so called “profile” committees of both chambers of the Parliament (both of them include “regional policy” into their official titles), for really only they can initiate and lobby the laws in the field of regional policy. But till now the main work of the committees in the field of regional policy is the expert and legal assessment and support of the federal laws and their drafts (till their full formal approval). Assessment of the committees pass many mentioned above documents in which refinements and correction has been introduced for the protection of various regions interests.

As a whole examination of various laws regional consequences (and diminishing of possible negative consequences) is important component of any regional policy. It is bad; that such examination is carried out not in the frameworks of officially approved federal regional policy (and, hence, can not take into account its priorities).

## Regional policy programmes

In the 1990-s several programmes in the field of regional policy has been created. Strategy of regional development of Russia – the most valuable of these documents, was prepared in 1993 in Analytical Centre of the President. This document has become the base for discussions on regional policy.

From the moment of creation this document was several times revised and, thus, even improved, but has not become the base of legal decisions (laws, decrees of the President, enactments of the Government). Even official approval of the document by President doesn't make it the basis for practical steps.

The main arguments presented in the document for the necessity of interference of state into decision of regional problems are: preservation of country unity, strengthening of regional disproportions on the way to the market, social

justice. This approach is very close to the Western ones and corresponds to Russian reality.

In the autumn of 1994 on the basis of the Strategy was produced already more "practical" document – "About the Program of the help to the depressed regions" (in the same Analytical Department) and again it was not, in any form, realised. At first were hopes to take it into account in the 1995 budget, then in 1996 budget, etc. (but really the developers of the budget never even do not know about existence of the Program). Now it is absolutely clear that this document will never be realised. What is interesting, that this existing only on paper draft document received active support of some crisis regions?

Programs of regional policy for Russia were developed in 1993–1995 also by Ministry of national problems and regional policy and by fraction "New regional policy" in previous parliament (1993–1995). Politics and experts already some times discussed both documents. The main defect of both programs is misunderstanding what is regional policy. The authors of both documents include in it and strategic, and external economic, and pure social, and etc. problems. Practically all, what determines development of the country were included into regional policy. Clearly, on the base of so wide documents it is impossible to develop the real laws concerning regional policy, to accept the executed organisational decisions.

Developed by Ministry of economy document of the same period was devoted to only regional economic policy (and was made at high professional level). But it rather the plan of territorial organisation of Ministry of Economic Affairs, instead of base for creation Russian regional policy. In the specified document one can find idea about stimulation of development of leading regions, the implementation of which could only strengthening regional disproportions. But the latter is difficult to include into main aims of regional policy in Russia, where regional differences are so big.

As has been already mentioned in 1996 Ministry of nationalities... prepared and even send to the Government already very realistic documents, proposed how to organise regional policy in Russia. In many aspects specified document has much in common with the Strategy and with the described document on regional economic policy and can be easily included (naturally partially) into the potential law on regional policy. But it has been rejected. Now "new" Ministry of Regional Policy creating new programme of regional policy and its activities in the field.

Programmes for the development of regional policy in Russia became the field of international activities. TACIS project on Russian regional policy (which is represented by the author of this text), started in January 1998 (for 3 years), and will be implemented in close co-operation with Ministry of regional policy. It has clear aim – create "reasonable" models of socially oriented fed-

eral regional policy. The project could support Ministry efforts to become leading state institution in the field of regional policy. If the Ministry succeed, results of project would have more practical value.

### Legal base of regional policy

As already has been mentioned there are no official documents, regulated regional policy in a country as a whole. There are laws and other official documents regulation development of Northern regions. However, even towards northern territories the federal government is not present clear and consistent decisions. The federal law "About the bases of state regulation of socio-economic development of the RF North (is accepted in the middle of 1996) is possible to consider as the unique complex legal document in the field of regional policy. But it only declares only the right of state to stimulate development of northern territories (instead of the responsibility to do it). Under the conditions of the budget deficit, naturally, very small sums of money are allocated for realisation of the law.

In spring 1996 Council of ministers sent to the President project of the Decree of the President "Main directions of regional policy in Russia", prepared by mentioned above department (working directly under the Chairman of Government). This 20 page document don't propose any real steps in regional policy, but describe what will be good to achieve in the sphere of economic and social development of regions, ecology, national relations etc. (in very general terms) without any indication how to achieve these aims and what state bodies will be responsible (and who will pay).

Even from the contents of the document one can see that unknown authors include into regional policy all problems connected with federal relations, local self-management, all forms of international activity of regions, employment, ecology, national relations... At the same time regional economic policy is absolutely separated from regional social economic policy (even ideas on co-ordination are in absentia). Naturally one could not find in the document understanding of regional policy as institutionally independent activity of the state.

It is possible to agree with the document that forecasts and programmes have to be the main tools of regional economic policy. But what institutions will be responsible for creation and implementation of these documents, what will be their place in economic strategy of the state?

The Decree of the President by its status has to be "temporary" law and has to include practical steps in the field, orders for various state institutions, timetable, etc. Lets take for example last part of the document – "Legal base for regional policy". It is logic to find in it list of necessary laws and other legal

documents, institutions responsible for them, propose dates. But what we find instead: "Law creation process in the field of regional policy has to increase harmony in relations between federal centre and subjects of Russian Federation. Constitution of Russian Federation creates the necessary conditions for this as the base for creation of federal relations mechanism". The rest of this part of the document (in total less than 1 page) is devoted to indicate in what field's federal centre and regions has common interests and responsibilities. But this one can easily find himself in the Constitution of the country.

Though the texts of the agreements about differentiation of subjects of management and rights between federal executive authorities and bodies of a state authorities of the RF subjects with various regions (and appendices) have much in common, all they take into account and features of the particular region and attitude of Centre toward it. Therefore it is possible to consider, that in the specified documents the regional policy of the federal authorities has partly received expression.

In principle the specified agreements and appendix to them could become a powerful tool of federal regional policy (especially taking into account the tendency of more and more complete scope by the given documents of the subjects of Federation). For this purpose federal level should officially be responsible (completely or partially) for the decision of the most acute problems of regions, which the latter are not able to solve using only own resources.

The Decree of the President about the proxy representative, signed on July 9, 1997 granted large opportunities for strengthening of Presidential structures influence on regions. Obviously, that the opportunities of this "new" representative, in course of interactions with regional authorities, would sharply increase. The representative of the President even now has an opportunity to act as the supporter of municipal authorities in their conflict with regional ones. But how far central authorities will go in specified direction, and there is a risk destroying normal relations with the administration of regions, is not clear. The decree has some potential to be used as regional policy "tool". Unfortunately 2 years that has been passed after the Decree approval didn't show any big progress in the implementation of its ideas.

### Practical steps in the field of regional policy

It will be exaggeration to insist, that now Russia has no regional policy at all. In Russia, as well as in practically all other countries, territorial redistribution of public funds goes actively. State provides help to regions of coal mining and ecological disasters, social help to poor regions through the budget (beginning from 1994 – see below), etc. In total approximately of 15% of the country

budget are used for the help to closed cities, support of the regional budgets, financing of the regional programs, etc., i.e. for regional purposes. But specified redistribution, in many cases, goes without official criteria and as a result one can see great subjectivism of the accepted decisions.

The especially strong effect on redistribution of means has the political factors. For 1992–94 years the President and Government have accepted 70 decrees and enactments on regions and practically all of them included granting of the additional rights or/and means. But no general regional analysis proceeded to these official decisions. It was not clear, whether the help was provided really to the most requiring it regions.

Ministry of regional policy, Ministry of economy and Ministry of construction are engaged in preparation and realisation of several regions complex programmes of development. Programmes of concrete regions development may be part of federal regional policy if they have been prepared for really most crises territories. Even from this list it is clear that nobody compared selected regions with others. Why concrete regions were selected? The answers one can find in pure political sphere, analysing political weight of regional leaders in Moscow.

The Government were not able to resist to political pressure, but find solution in permanent under-financing of all programmes. In 1997 these programmes received on average below 10% of proposed sums (1998 situation would be even worse).

Attempts to solve the most acute problems of crisis regions at the expense of providing to them exclusive economic advantages (taxes, credit, in export) don't achieve, in majority of cases, the proposed aims. And these exclusive advantages lead mainly to increase of tensions between regions.

Transfers ("transferti") from the Fund of financial support of the regions can be partially regarded as regional policy. In their frameworks part of taxes is transmitted by federal centre to regions, possessing insufficient tax base, not ensuring average country level. Transfers are intended to cover current charges (on education, health service, support of housing, etc.). In 1994 they have for the first time occurred in the budget, but the regions have received only half of transfers – because of low rate of taxes collection. Thus some regions depend on them on 80–90%.

The direct state redistribution of means between regions can be regarded as regional policy. But regional policy should assist to the most crisis regions, and the latter cannot coincide with regions with insufficient tax base. Plus this means cannot be used for any investments.



## What can be taken from EU countries' experience?

World experience shows (and especially of EU countries and Union as a whole), that more often the regional policy has social roots. Excessive territorial distinctions in the level of development naturally result in significant spatial disproportions in quality of life. The latter threaten to real economic and social unity of the country (and, in extreme cases, even to its political unity). As a result one can see "picture" of two Italies (North and South), Great Britains (South and North), Frances (Paris and "French desert").

In EU countries, even on the ideological level, it is considered as inadmissible the existence in uniform country of excessive spatial disproportions (thus scales of "excessive" is defined individually by each country). The same approach dominates and in frameworks of EU, determining its common regional policy (one of the main directions of its activities).

Regulating the processes of regional development the EU states realize its own "understanding" of territorial justice (responsibility for all population of the country, where it did not live, and for all territory). But solving social tasks the state (within the frameworks of regional policy) realizes them through economy. But taking into account, that the regional policy is directed on achievement of spatial "equality" (or what is more precise – on decrease of inequality degree) between separate territories, projects realized in its frameworks are not maximally effective from the purely economic point of view.

The social purposes of the state couldn't be separated from its political goals. Regional policy role in preservation of country unity has been already mentioned. In many countries the role crisis regions electorate is great. In a number of cases crisis territories coincide (partially or wholly) with areas of ethnic (or other) minorities. Thus, the regional policy is executed by a state, in majority of cases, proceeding from socio-political reasons.

Naturally Russia simply has no means to realized EU-countries type of regional policy (or Brussels one). But Russia can borrow logic of western regional policy: its socio-political orientation, values of spatial justice and responsibility for the whole population, etc. Russia can follow logic of its development: creation of program and responsible institutions, adoption of specific laws, fixing of its financial basis, etc. All this will help to use even scarce available resources for real needs of regional policy. Use of some practical instruments of EU countries regional policy is much easier task (naturally only as the next stage)

In Russia any sphere of state activity is strongly politicised and closely connected with personal relations. The campaigns for the election to Duma (Lower chamber of Russian parliament) – 1999, and for the post of President – 2000, have really started. The regional policy should "to take into account", that in

the nearest 2 year it would be realised under conditions of political and institutional instability and growing politicians populism.

## Conclusions

- 1) Level of socio-economic disproportions (asymmetry) in Russia lead to disintegration of the country and really threatening to its unity. But the scales and form of regional policy (i.e. reaction of federal state) does not correspond with acuteness of the country territorial problems.
- 2) In Russia there is significant number of institutions, responsible for regulation of various regional processes. But activities of these institutions are extremely weakly co-ordinated and frequently contradicts to the aim of spatial socio-economic disproportions smoothing. New Ministry of regional policy could become leading institution in the field, but only in sharp competition with other federal institutions.
- 3) Russia still don't have officially approved programme of federal regional policy (neither of spatial development strategy), which can be really implemented. But already existing documents create good base for such programme. The main problem – absentia of institutional initiator.
- 4) It is urgently necessary to intensify legislative processes in the field of regional policy. Taking into account slow “velocity” of both chambers of the Parliament, probably the temporary decision of the problem is Decrees of the RF President. Ministry of regional policy is really the only institution, which can initiate legislative process in the field.
- 5) The federal state does not have now enough means for “normal” regional policy. But part of existing regional redistribution of means has to “service” regional policy aims: promote economic development in predetermined crises areas.
- 6) Decisions of regional sphere are too subjective. This is great obstacle for regional policy development. Regional policy has to be more open for institutions of various territorial levels and to the public. Without this pre-condition it will not receive support in the country.
- 7) EU countries experience in the field of regional policy (as well as of common EU regional policy) is extremely valuable for Russia. It is impossible even to speak about replication of western regional policy in Russia, but general logic and main approaches can be taken. As well as EU countries Russia needs socially and politically oriented regional policy, aimed on decreasing of spatial disproportions in quality of life and, correspondingly, in level of economic development. It is necessary to understand that people are aim of such regional policy and economy is only instrument.

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