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Local Governance and Civic Engagement in Rural Russia

A World Bank Project

Moscow, 2007
Local Governance and Civic Engagement in Rural Russia

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This publication contains the results of the 3-year project «Local Governance and Civic Engagement in Rural Russia» sponsored by the World Bank between 2004-2007 and implemented by the Russian branch of the charity Charities Aid Foundation (UK) in 3 regions of Russia: Perm, Penza, and the Republic of Adygeya. Above all, the project contributed to the development of civil society in villages and better cooperation between local government and rural residents, furthered the creation of the institutional environment needed for the vigorous implementation of the federal law No.131 On the General Principles of Local Self-Governance in the Russian Federation, and ultimately contributed to improving the quality of life in rural Russia.

The publication contains a framework model of participatory local governance and practical recommendations for policy makers to effectively engage the population in local governance processes and expand the legal field in rural areas. It also includes case studies in providing public services based on community priorities and the results of research to quantitatively measure the effects and the effectiveness of decentralization in Russia.

The volume will be useful to specialists of local governance, politicians at regional and federal levels responsible for rural development, students of public management, as well as all those interested in learning about progress in decentralization in Russia at the beginning of the 21st century.

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For bringing relevant international experiences to Russia, we are grateful to Sharon Cooley and Ritu Nayar-Stone (Urban Institute) and to Zana Vocopala and Silvana Braccula (Urban Research Institute, Albania). The team would particularly like to thank Sergei Nikiforov, Marina Maslova, Nadezhda Sibatrova, Olga Strelets, Dmitry Zhigalov (Institute for Urban Economics, Moscow) for their exceptional commitment to the project and for going beyond the call of duty in adapting the international experiences to the Russian context and for being so attentive to the pilot villages.

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Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CFP</td>
<td>Center for Fiscal Policy</td>
</tr>
<tr>
<td>CLS LG</td>
<td>Center for Legal Support to Local Government</td>
</tr>
<tr>
<td>IUE</td>
<td>The Institute for Urban Economics</td>
</tr>
<tr>
<td>LCF</td>
<td>Local Community Foundation</td>
</tr>
<tr>
<td>LMC</td>
<td>Legal Municipal Consultant</td>
</tr>
<tr>
<td>LSG</td>
<td>local self-governance</td>
</tr>
<tr>
<td>NGO</td>
<td>Non governmental organizations</td>
</tr>
<tr>
<td>RMC</td>
<td>Rural Municipal Consultant</td>
</tr>
<tr>
<td>Rosstat</td>
<td>Federal State Statistics Department</td>
</tr>
<tr>
<td>SIAP</td>
<td>Service Improvement Action Plan</td>
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<td>WB</td>
<td>World Bank</td>
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It gives me great pleasure to introduce this publication to Russian and international audiences. It is important because it tackles one of the most difficult development issues in Russia – improving the lives of people in rural areas across the country and doing so in an inclusive and equitable manner. It is timely because the current Russian legislation and macroeconomic situation provides for an opportunity to approach rural development in a comprehensive bottom up manner.

One of the main mandates of the World Bank is to work towards increasing access to opportunities for the poorer strata of the population. In post-socialist societies, increasing access to opportunity for the poorer rural dwellers has been particularly challenging because of the changes in terms of trade for agriculture, the overall challenges of operating in the market economy, and the relative isolation of rural areas. Finding solutions to these challenges is a unique country-specific endeavor. However, some basic approaches have proven to be true in most contexts. The more control people have over their economic and social life, the better they are able to take advantage of the opportunities they are given and grow.

Effective, responsive and responsible local government empowers citizens and creates incentives for them to be more active socially, economically, and politically. Transparent, inclusive, and accountable structures of self-governance are key to more equitable distribution of public goods among all citizens, including various groups that would otherwise be marginalized – the elderly, the ethnic minorities, and poor. Current federal legislation governing checks and balances as well as distribution of resources and responsibilities among different levels of self-governance in Russia creates great potential for the promotion of effective self-governance, including rural self-governance.

The materials presented here demonstrate that to make the promise of effective bottom-up self-governance a reality, an effort needs to be made to activate the legislated channels of bottom up accountability. The pilot «Local Self-Governance and Civic Engagement in Rural Russia» funded by the Japanese Social Development Fund, makes one step towards activating the new decentralization framework, helping jump start effective and accountable self-governance in rural areas.
The experience presented here demonstrates that Russian villages are ready to become more responsible for their economic, social, and political lives. The level of education in rural Russia is very high. The weakness of formal governance structures is associated with traditionally low levels of fiscal and financial mandates of rural administrations and the leading role of collective farms in providing both economic opportunities and social services, and not with the systemic deficiencies of Russian rural leadership. Informally, traditions of self-organization are very strong in many villages of the Russian Federation. The project demonstrated that if the introduction of formal local governance at the settlement level is combined with adequate training of local administrations and local residents in participatory budgeting and other forms of mobilization and monitoring the use of public resources, great energy of effective local governance is released and the services provided are better matched with the needs of the population. In the future, if fiscal revenue sources are aligned with the assigned mandates, if incentives to encourage the effective and efficient use of public resources and effective and equitable provision of public services are built into the provincial and federal system of transfers, and if all these conditions are maintained in the medium to long term, Russia will succeed in activating one of its important and thus far underutilized resources – the social energy of its rural population in controlling and improving its own life.

Since 1992, when Russia joined the World Bank Group, the World Bank has been providing resources to help Russia achieve sustained economic growth, improve social services, and create a conducive environment for private sector development. In post-socialist societies in Europe and Central Asia, decentralization and civic engagement are still at an early stage of development in comparison to other industrial countries. The World Bank has assisted the governments of many transition countries in implementing effective and inclusive decentralization and rural development reforms. The World Bank would be privileged to be able to continue advising and assisting the Russian Government in this work.

Kristalina Georgieva
Country Director for Russia
World Bank
In January 2006 local self-governance bodies in more than 20,000 rural settlements across Russia started to work according to the provisions of Federal Law no. 131 – «On the Principles of Local Self-Governance in the Russian Federation». The past year has revealed the strong points of the preparatory work done and also revealed a number of problems that need to be solved accordingly at municipal, regional, and federal levels.

The rural settlements that took part in the World Bank project «Local Self-Governance and Civic Engagement in Rural Russia» were better prepared for the first year of reform. A great deal of consulting, informational, legal and technical assistance rendered to these settlements within the project helped to make up for the lack of experience, skills and traditions necessary to deal with relevant issues independently at the most localized level.

The Rural Municipal Consultants (RMCs) trained during the project helped the heads and inhabitants of rural settlements to identify the problems of rural communities and develop action plans to solve these problems, and engaged local business, NGOs and resident groups in implementing these plans. Other important aspects of the project included legal assistance in forming the normative legal basis for rural municipality activities in the new legal framework and engaging citizens in municipal development.

Monitoring research into funding of basic municipal services – healthcare, education, culture, territory improvement – and comparative analysis of local community leaders’ and inhabitants’ opinions about the priorities of rural development and local self-governance reform in general brought significant results.

Recommendations were developed based on the results of the monitoring. The locality card of rural settlements, giving a complete picture of the municipal economy, may be used as a basis for development plans of rural municipalities.

The techniques and practices developed and tested within the project deserve to be highly rated and widely used in the regions interested in sustainable development of rural municipalities.

Vitali Shipov
State Secretary, Deputy Minister, Ministry of Regional Development of the Russian Federation

Forewords
Setting up conditions for the development of civic society institutions is an important task of the state assigned to form the legal and institutional framework for their activity and promote the best working practices and mechanisms. The project of the World Bank «Local Self-Governance and Civic Engagement in Rural Russia» contributed a lot to solving this problem.

Within the project, mechanisms of development of rural settlements based on the opportunities provided by the local self-governance reform were tested and monitoring tools developed, which enable the results of reform to be efficiently tracked and at the same time a database on the activity of rural municipalities to be created.

The project promoted perfection of budget planning mechanisms and offered an efficient format for budget hearings. A new mechanism of development planning for rural settlements based on service improvement action plans, monitoring of municipal services and provision of wide civic participation and responsiveness of public opinion was developed within the project.

Besides, the project promoted the activation of local resources, access to information for the population and civic participation in solving rural problems and also dissemination of Local Community Foundation practices in rural areas.

The project highlighted a lot of problems the rural municipalities faced in the first year of local self-governance reform according to Federal Law no. 131 – «On Principles of Local Self-Governance in the Russian Federation». The problems included: lack of mechanisms of civic engagement, underdeveloped normative legal basis for municipalities at the settlement level, disproportional funding to solve locally important problems, lack of information at the local level, and weak technical and human resources capacity in rural municipalities.

The mechanisms of problem-solving for rural settlements developed and tested within the project may be used by all interested regions. One should mention the institution of Rural Municipal Consultants who effectively promote the cooperation of local authorities, community and representatives of local business.

Generally speaking, the effective development of trilateral cooperation between executive bodies of regions of the Russian Federation and local government, business and civil society has become one of the prerequisites for successful social and economic development of towns, regions and rural settlements.

Andrei Sharonov
State Secretary, Deputy Minister of Trade and Economic Development of the Russian Federation
The project of the Word Bank, as well as its collection of articles, have proved generally multidisciplinary, combining the experiences of federal government to local reforms on the one hand and non-governmental scientific and public activities in local self-governance on the other. The project is also interdisciplinary, combining economics, law, and sociology. Local budget and funding of municipal services, activation of rural communities through participation in improvement and control of budget process, mobilization of internal social, economic, cultural and historic resources of rural communities are some of the main project components aimed at finding directions for sustainable development, defining the long-term prospects for rural Russia.

Another positive feature of the project (in addition to its interdisciplinary nature) is a careful selection of regions. The three selected regions represent three geographically and nationally different areas of European rural Russia. Adygeya Republic in the North Caucasus is the overpopulated agricultural fertile South; Penza Region – the central Volga region; and Perm Region – the non-Black Earth (chernozem) region of the Ural Region. The project allowed the features of regional and interregional local development of rural territories to be considered.

The main achievement of the project was highlighting the sustainable impulses and bottom-up signals from the local population in self-organization with the help of Rural Municipal Consultants trained within the project, local Mass Media and rural community meetings.

It should be noted that the project materials do not demonstrate only successes in rural local development arising automatically from the introduction of Federal Law 131. On the contrary, the results presented here objectively demonstrate the dramatic variety of difficulties and contradictions in developing rural self-governance under the present circumstances: negative consequences of agricultural crises since the end of the Soviet Union, significant degradation of Russian villages, and traditional Russian problems such as centralized bureaucracy and rural residents’ social apathy. The project aimed to find ways to overcome these historical long-term difficulties taking the local features of rural territories and personal features of rural inhabitants into consideration. Development of local household economy, local entrepreneurship, support of civic initiatives of local communities for socio-economic development (roads, communal services), cultural/historical (museums, schools), and infrastructure improvements are just some of the most important aspects of life in rural settlements positively influenced by the project.

The project «Local Self-Governance and Civic engagement in Rural Russia» is up-to-date and international, but that's not all. Historic and multi-national features of local self-governance in Russia appeared in the course of the project: the great traditions of zemstva (local government assemblies at provincial and district levels created in 1864) in Perm, unanimous self-organization in ‘stanitsas’ and ‘auls’ of the North Caucasus, and unique features of local lore, history and economy in Penza.

We would like to express hope and wish that the project results and ideas presented here will contribute to local capacity building and finding new directions of positive development for the vast territories of rural Russia.

Theodor Shanin, Professor, Manchester University, Rector, Moscow High School of Social and Economic Sciences
Introduction

A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance

Anwar Shah

A synthesis: Toward a framework for responsive, responsible, and accountable local governance

The dominant concern in this literature on political science, economics, public administration, law, federalism, and New Institutional Economics is that the incentives and accountability framework faced by various orders of government is not conducive to a focus on service delivery that is consistent with citizen preferences. As a result, corruption, waste, and inefficiencies permeate public governance. Top-down hierarchical controls are ineffective; thus, there is little accountability because citizens are not empowered to hold governments accountable.

Fiscal federalism practices around the world are focused on structures and processes, with little regard for outputs and outcomes. These practices support top-down structures with preeminent federal legislation. The central government is at the apex, exercising direct control and micromanaging the system. Hierarchical controls exercised by various layers of government have an internal rule-based focus with little concern for their mandates. Government competencies are determined on the basis of technical and administrative capacity, with almost no regard for client orientation, bottom-up accountability, and lowering of transaction costs for citizens. Various orders of government indulge in uncooperative zero-sum games for control.

This tug of war leads to large swings in the balance of powers. Shared rule is a source of much confusion and conflict, especially in federal systems. Local governments are typically handmaidens of states or provinces and given straitjacket mandates. They are given only limited home rule in their competencies. In short, local governments in this system of «federalism for the governments, by the governments, and of the governments» get crushed under a regime of intrusive controls by higher levels of governments. Citizens also have limited voice and exit options.

The governance implications of such a system are quite obvious. Various orders of government suffer from agency problems associated with incomplete contracts and undefined property rights, as the assignment of taxing, spending, and regulatory powers remains to be clarified — especially in areas of shared rule. Intergovernmental bargaining leads
to high transaction costs for citizens. Universalism and pork-barrel politics result in a tragedy of commons, as various orders of government compete to claim a higher share of common pool resources. Under this system of governance, citizens are treated as agents rather than as principals.

On how to turn this trend around and make governments responsive and accountable to citizens, the dominant themes emphasized in the literature are the subsidiarity principle, the principle of fiscal equivalency, the creation of public value, results-based accountability, and the minimization of transaction costs for citizens, as discussed earlier. These themes are useful but should be integrated into a broader framework of citizen-centered governance, to create an incentive environment in the public sector that is compatible with a public sector focus on service delivery and bottom-up accountability. Such integration is expected to deal with the commitment problem in various levels of government by empowering citizens and by limiting their agents’ ability to indulge in opportunistic behavior.

Citizen-centered local governance

Reforming the institutions of local governance requires agreement on basic principles. Three basic principles are advanced to initiate such a discussion:

- **Responsive governance.** This principle aims for governments to do the right things — that is, to deliver services consistent with citizen preferences.

- **Responsible governance.** The government should also do it right — that is, manage its fiscal resources prudently. It should earn the trust of residents by working better and costing less and by managing fiscal and social risks for the community. It should strive to improve the quality and quantity of and access to public services. To do so, it needs to benchmark its performance with the best-performing local government.

- **Accountable governance.** A local government should be accountable to its electorate. It should adhere to appropriate safeguards to ensure that it serves the public interest with integrity. Legal and institutional reforms may be needed to enable local governments to deal with accountability between elections—reforms such as a citizen’s charter and a provision for recall of public officials.

A framework of local governance that embodies these principles is called citizen-centered governance (see Andrews and Shah 2005). The distinguishing features of citizen-centered governance are:

- **Citizen empowerment through a rights-based approach (direct democracy provisions, citizens’ charter)**

- **Bottom-up accountability for results**

- **Evaluation of government performance as the facilitator of a network of providers by citizens as governors, taxpayers, and consumers of public services**

The framework emphasizes reforms that strengthen the role of citizens as the principals and create incentives for government agents to comply with their mandates (see table 1.2).

The commitment problem may be mitigated by creating citizen-centered local governance—by having direct democracy provisions, introducing governing for results in government operations, and reforming the structure of governance, thus shifting decision making closer to the people. Direct democracy provisions require referenda on major issues and large projects and citizens having the right to veto any legislation or government program. A governing for results framework requires government accountability to citizens for its service delivery performance. Hence, citizens have a charter defining their basic rights as well as rights of access to specific standards of public services. Output-based intergovernmental transfers strengthen compliance with such standards and strengthen accountability and citizen empowerment (Shah 2006).

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Implications for division of powers within nations: Role reversals for central and local governments

The framework described above has important implications for reforming the structure of government. Top-down mandates on local governance will need to be replaced by bottom-up compacts. Furthermore, the role of local government must be expanded to serve as a catalyst for the formulation, development, and operation of a network of both government providers and entities beyond government. Local government’s traditionally acknowledged technical capacity becomes less relevant in this framework. More important are its institutional strengths as a purchaser of services and as a facilitator of alliances, partnerships, associations, clubs, and networks for developing social capital and improving social outcomes. Two distinct options are possible in this regard, and both imply a pivotal role for local governments in the intergovernmental system. The options are (a) local government as the primary agent, subcontracting to local, state, and federal or central government authorities and engaging networks and entities beyond government, and (b) local, state, and national governments as independent agents.

Option A: local governments as primary agents to citizens.

In this role, a local government serves as (a) a purchaser of local services, (b) a facilitator of networks of government providers and entities beyond government, and (c) a gatekeeper and overseer of state and national governments for the shared rule or responsibilities delegated to them. This role represents a fundamental shift in the division of powers from higher to local governments. It has important constitutional implications. Residual functions would reside with local governments. State governments perform intermunicipal services. The national government is assigned redistributive, security, foreign relations, and interstate functions such as harmonization and consensus on a common framework. The Swiss system bears close affinity to this model.

Option B: various orders of government as independent agents.

An alternative framework for establishing the supremacy of the principals is to clarify the responsibilities and functions of various orders as independent agents. This framework limits shared rule. Finance follows function strictly, and fiscal arrangements are periodically reviewed for fine-tuning. Local governments enjoy home rule, with complete tax and expenditure autonomy. The Brazilian fiscal constitution incorporates some features of this model, albeit with significant deviations.

Feasibility of options. Option A is well grounded in the history of modern governments and is most suited for countries with no history of internal or external conflict in recent times. It is already practiced in Switzerland. War, conquest, and security concerns have led to a reversal of the roles of various orders of governments and to a reduction in local government functions in more recent history. Globalization and the information revolution have already brought pressures for much larger and stronger roles for local governments (see Shah 2001). Although a majority of governments have done some tinkering with their fiscal systems, the radical change recommended here is not in the cards anywhere. This is because the unlikelihood of overcoming path dependency – a tall order for existing institutions and vested interests – makes such reform infeasible. Under such circumstances, option B may be more workable, but here the clarity of responsibilities may not be politically feasible. In general, there is unlikely to be political will to undertake such bold reforms. Piecemeal adaptation of this model will nevertheless be forced on most countries by the effects of globalization and by citizen empowerment, facilitated by the information revolution.
### Table 1.2

**Key Elements of Citizen-Centered Governance**

<table>
<thead>
<tr>
<th>Responsive governance</th>
<th>Responsible governance</th>
<th>Accountable governance</th>
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<tbody>
<tr>
<td><strong>Has subsidiarity and home rule</strong></td>
<td><strong>Follows due process:</strong></td>
<td><strong>Lets the sunshine in:</strong></td>
</tr>
<tr>
<td><strong>Has direct democracy provisions</strong></td>
<td><strong>The principle of ultra vires or general competence or community governance</strong></td>
<td><strong>Local government bylaw on citizens’ right to know</strong></td>
</tr>
<tr>
<td><strong>Has budget priorities consistent with citizens’ preferences</strong></td>
<td><strong>The procedure bylaw</strong></td>
<td><strong>Budgetary proposals and annual performance reports posted on the Internet</strong></td>
</tr>
<tr>
<td><strong>Specifies and meets standards and access to local services</strong></td>
<td><strong>Local master plans and budgets</strong></td>
<td><strong>All decisions, including the costs of concessions, posted on the Internet</strong></td>
</tr>
<tr>
<td><strong>Improves social outcomes</strong></td>
<td><strong>Zoning bylaws and regulations</strong></td>
<td><strong>Value for money performance audits by independent think-tanks</strong></td>
</tr>
<tr>
<td><strong>Offers security of life and property</strong></td>
<td><strong>Funded mandates</strong></td>
<td><strong>Open information and public assessment</strong></td>
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<tr>
<td><strong>Offers shelter and food for all</strong></td>
<td><strong>Is fiscally prudent:</strong></td>
<td><strong>Works to strengthen citizen voice and exit:</strong></td>
</tr>
<tr>
<td><strong>Has clean air, safe water, and sanitation</strong></td>
<td><strong>Operating budget in balance</strong></td>
<td><strong>Citizens’ charter</strong></td>
</tr>
<tr>
<td><strong>Has a noise-free and preserved environment</strong></td>
<td><strong>Golden rule for borrowing</strong></td>
<td><strong>Service standards</strong></td>
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<tr>
<td><strong>Offers ease of commute and pothole-free roads</strong></td>
<td><strong>New capital projects that specify upkeep costs and how debt is to be repaid</strong></td>
<td><strong>Requirements for citizens’ voice and choice</strong></td>
</tr>
<tr>
<td><strong>Has primary school at a walking distance</strong></td>
<td><strong>Conservative fiscal rules to ensure sustainable debt levels</strong></td>
<td><strong>Sunshine rights</strong></td>
</tr>
<tr>
<td><strong>Has acceptable fire and ambulance response times</strong></td>
<td><strong>Major capital projects that are subject to referenda</strong></td>
<td><strong>Sunset clauses on government programs</strong></td>
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<tr>
<td><strong>Has libraries and Internet access</strong></td>
<td><strong>Maintenance of positive net worth</strong></td>
<td><strong>Equity- and output-based intergovernmental finance</strong></td>
</tr>
<tr>
<td><strong>Has park and recreation programs and facilities</strong></td>
<td><strong>Commercially audited financial statements</strong></td>
<td><strong>Citizen-oriented performance (output) budgeting</strong></td>
</tr>
</tbody>
</table>

**Earns trust:**
- Professionalism and integrity of staff
- Safeguards against malfeasance
- Streamlined processes and e-governance
- Complaints and feedback acted on
- Honest and fair tax administration
- Strict compliance with service standards
- Citizen-friendly output budgets and service delivery performance reports
- Participatory budgeting and planning

**Works better and costs less:**
- All tasks subjected to alternative service delivery test—that is, competitive provision involving government providers and entities beyond government
- Financing that creates incentives for competition and innovation
- Comparative evaluation of service providers

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**Budgetary allocation and output-based performance contracts**
- *Activity-based costing*
- *Charges for capital use*
- *Accrual accounting*
- *Benchmarking with the best*
- *General administration costs subjected to public scrutiny*
- *Boundaries that balance benefits and costs of scale and scope economies, externalities, and decision making*
- *Boundaries consistent with fiscal sustainability*
Some Conclusions about Local Governance in Industrial Countries

Historical evolution and the current practice of local governance are instructive in drawing lessons for reform of local governance, especially in developing countries. There is great diversity in practice in local governance in industrial countries, but there are also some common strands. The diversity is in the institutional arrangements, which have evolved incrementally over a long period. This evolution has resulted in diverse roles for local governments and diverse relations with central governments across countries. In Nordic countries, local government serves as the primary agent of the people, whereas in Australia, that role is entrusted to state governments, and local government has a minimal role in local affairs. There is no uniform model for local government size, structure, tiers, and functions across OECD countries. There are nevertheless a number of interesting common features. First, most countries recognize that finance must follow function to ensure that local governments are able to meet their responsibilities efficiently and equitably. Second, home rule is considered critical to meeting local expectations and being responsive to local residents. Therefore, local governments must have significant taxing, spending, and regulatory autonomy, and they must have the ability to hire, fire, and set terms of reference for employees without having to defer to higher levels of governments. Only then can local governments innovate in management by introducing performance-based accountability and innovate in service delivery by forging alternative service delivery arrangements through competitive provision, contracting, and outsourcing wherever deemed appropriate. They can also facilitate a broader network of local governance and harness the energies of the whole community to foster better social outcomes. Third and most important, accountability to local residents has been the factor most critical to the success of local governance in industrial countries. This accountability is strengthened through democratic choice, participation, transparency, performance budgeting, citizens’ charters of rights, and various legal and financing provisions that support wider voice, choice, and exit options to residents.

We have presented a brief overview of the conceptual and institutional literature on local governance. A synthesis of the conceptual literature suggests that the modern role of a local government is to deal with market failures as well as government failures. This role requires a local government to operate as a purchaser of local services, a facilitator of networks of government providers and entities beyond government, and a gatekeeper and overseer of state and national governments in areas of shared rule. Local government also needs to play a mediator’s role among various entities and networks to foster greater synergy and harness the untapped energies of the broader community for improving the quality of life of local residents. Globalization and the information revolution are reinforcing these conceptual perspectives on a catalytic role for local governments.

This view is also grounded in the history of industrial nations. Local government was the primary form of government until wars and conquest led to the transfer of local government responsibilities to central and regional governments. This trend continued unabated until globalization and the information revolution highlighted the weaknesses of centralized rule for improving the quality of life and social outcomes. The new vision of local governance (see table 1.6) presented here argues for a leadership role by local governments in a multicentered, multiorder, or multilevel system. This view is critical to creating and sustaining citizen-centered governance, in which citizens are the ultimate sovereigns and various levels of governments are there to serve as agents in the supply of public governance. In developing countries, such citizen empowerment may be the only way to reform public sector governance when governments are either unwilling or unable to reform themselves.
<table>
<thead>
<tr>
<th>20th century: Old view</th>
<th>21st century: New View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is based on residuality and local governments as wards of the state</td>
<td>Is based on subsidiarity and home rule</td>
</tr>
<tr>
<td>Is based on principle of ultra vires</td>
<td>Is based on community governance</td>
</tr>
<tr>
<td>Is focused on government</td>
<td>Is focused on citizen-centered local governance</td>
</tr>
<tr>
<td>Is the agent of the central government</td>
<td>Is the primary agent for the citizens and the leader and gatekeeper for shared rule</td>
</tr>
<tr>
<td>Is responsive and accountable to higher-level governments</td>
<td>Is responsive and accountable to local voters; assumes leadership role in improving</td>
</tr>
<tr>
<td></td>
<td>local governance</td>
</tr>
<tr>
<td>Is the direct provider of local services</td>
<td>Is the purchaser of local services</td>
</tr>
<tr>
<td>Is focused on in-house provision</td>
<td></td>
</tr>
<tr>
<td>Is focused on secrecy</td>
<td>Is focused on letting the sunshine in; practices transparent governance</td>
</tr>
<tr>
<td>Has input controls</td>
<td>Recognizes that results matter</td>
</tr>
<tr>
<td>Is internally dependent</td>
<td>Is externally focused and competitive; is an ardent practitioner of an alternative</td>
</tr>
<tr>
<td></td>
<td>service delivery framework</td>
</tr>
<tr>
<td>Is closed and slow</td>
<td>Is open, quick, and flexible</td>
</tr>
<tr>
<td>Has intolerance for risk</td>
<td>Is innovative; is a risk taker within limits</td>
</tr>
<tr>
<td>Depends on central directives</td>
<td>Is autonomous in taxing, spending, regulatory, and administrative decisions</td>
</tr>
<tr>
<td>Is rules driven</td>
<td>Has managerial flexibility and accountability for results</td>
</tr>
<tr>
<td>Is bureaucratic and technocratic</td>
<td>Is participatory; works to strengthen citizen voice and exit options through direct</td>
</tr>
<tr>
<td>Is coercive</td>
<td>democracy provisions, citizens’ charters, and performance budgeting</td>
</tr>
<tr>
<td>Is fiscally irresponsible</td>
<td>Is focused on earning trust, creating space for civic dialogue, serving the citizens,</td>
</tr>
<tr>
<td></td>
<td>and improving social outcomes</td>
</tr>
<tr>
<td>Is exclusive with elite capture</td>
<td>Is fiscally prudent; works better and costs less</td>
</tr>
<tr>
<td>Overcomes market failures</td>
<td>Is inclusive and participatory</td>
</tr>
<tr>
<td>Is boxed in a centralized system</td>
<td>Overcomes market and government failures</td>
</tr>
<tr>
<td></td>
<td>Is connected in a globalized and localized world</td>
</tr>
</tbody>
</table>
Mechanisms providing effective self-governance

Civic Engagement: the Basis for Rural Development

The three-year project of the World Bank «Local Self-Governance and Civic Engagement in Rural Russia» was implemented with the financial support of the Japan Social Development Fund (JSDF) between June 2004 and April 2007. Initiated by the Ministry of Trade and Economic Development of the Russian Federation in coordination with the Ministry for Regional Development of the Russian Federation, the project was implemented by the Russian branch of Charities Aid Foundation, UK.

The project showed that despite the objective difficulties and the traditionally reserved attitudes of rural inhabitants towards innovation, active civic engagement in local self-governance, particularly in budgeting and choosing and implementing development priorities is possible in any randomly chosen rural area. Rural inhabitants are trained to successfully put into practice instruments of civil engagement, lightening the workload of rural administrations and promoting consolidation and sustainability of rural communities.

Project Goals and Objectives

The idea of this project emerged as a result of the development of a new framework law, defining the conditions of local self-governance in Russia (no. 131 – «On General Principles of Local Self-Governance in the Russian Federation» passed on October, 6 2003). Implementation of the law, presupposing wider civic engagement in local self-governance even at discussion stages, represented a favorable opportunity to introduce mechanisms of civic engagement in budgeting and municipality development planning. Rural municipalities were selected as pilot areas for this project because rural inhabitants suffer most from lack of information and resources for real development of self-governance.

The goal of the project is to promote more effective and equitable socio-economic development in rural communities through the improvement of formal local governance and civic engagement. The project will accomplish this by building capacity among formal and informal community leaders and by helping communities to increase participation and empowerment through civic engagement.
The goal was achieved via the following specific objectives:

- Forming information and consultancy networks to assist the pilot rural settlements;
- Training the Rural Municipal Consultants (RMCs) in the pilot regions to provide ongoing consultations on local government and community relations and on legal issues;
- Activating communities and participatory budgeting and development of service improvement action plans (SIAPs);
- Series of training seminars for RMCs, working group members, heads and specialists of rural municipal administrations on civic engagement, budgets of rural settlements, SIAPs, and legal issues;
- Promoting exchange of information among rural settlements;
- Defining development priorities of rural settlements and developing SIAPs based on these priorities;
- Legal support of pilot municipalities: training, ongoing consultations, updating the normative legal bases of rural municipalities according to new legislation requirements;
- Analysis of financial resources in basic municipal services for rural population: education, healthcare, and territorial improvements;
- Development and testing of monitoring instruments for rural self-governance bodies,
- Supplying pilot municipalities with necessary information and communication technologies;
- Establishment of Local Community Foundations or expanding the activities of existing regional foundations to rural areas.

The project used the following mechanisms – (a) a network of Rural Municipal Consultants (RMCs), who had gone through a special training and were tasked with mediating and informing an effective interaction between the local authorities, population and business; (b) a network of Legal Municipal Consultants who rendered legal assistance to administrations of municipalities and members of community (writing by-laws for successful implementation of the law on local self-government and other legal acts, providing for the decentralization of resources and governance); (c) SIAPs for solving problems and mid-term planning; (d) settlement locality cards as a tool for self-evaluation of municipalities and comparison of the results achieved; (e) local community foundations that enhance the opportunities for development and engage all sectors of society.

As a result of the implementation of Federal Law No. 131 of October, 6 2003 «On the General Principles of Local Self-Governance in the Russian Federation», over 10,000 new rural settlements have been established (about 40 percent of the pre-reform national total) – almost all of which are rural. By the end of 2006, the total number of such settlements had reached almost 20,000.

The law introduced a two-level system of local self-governance in rural areas (districts and settlements) and delegated a number of responsibilities from district to settlements. The legal acts that followed prolonged the transition period up to 2009. However, many constituent entities of the Russian Federation, including Adygeya Republic, Penza and Perm Regions, decided not to put off the formation of local self-governance according to the new principles and introduced the Federal Law No. 131 in full on January, 1 2006.

According to the law, district and municipal levels of local self-government operate independently of each other and each municipality (at settlement/district level) should have its own budget, and also the right to introduce, change and cancel local taxes and duties.
According to the latest version of the Law no. 131 – «On General Principles of Local Self-Governance in the Russian Federation», local self-governance bodies of a settlement have 34 responsibilities and local self-governance bodies of a municipal district have 28 responsibilities. Settlement responsibilities include:

- Organization of electricity, heat, gas and water supply in the settlement, provision of fuel to citizens;
- Construction and maintenance of roads and bridges for common use within the settlement boundaries;
- Providing conditions for housing and assistance to provide housing for indigent citizens;
- Providing transport services for citizens in the settlement;
- Participating in prevention and elimination of emergency situations in the settlement;
- Providing initial fire safety measures in the settlement;
- Providing conditions for communication services, catering, trade and consumer services for the citizens;
- Providing library services to citizens, formation and maintenance of library funds in the settlement;
- Providing conditions for organization of leisure and culture organizations' services for the citizens;
- Maintenance, use and popularization of cultural legacy objects of local significance on the settlement territory;
- Providing conditions for development of local traditional amateur and folk arts; participating in preservation, renovation and development of folk arts in the settlement;
- Providing conditions for development of mass sports and physical training in the settlement;
- Providing conditions for mass recreation and improvement of mass recreation areas in the settlement;
- Organization of garbage collection in the settlement;
- Organization of improvements and planting of greenery in the settlement territory;
- Organization of street lighting;
- Organization of funeral services and maintenance of cemeteries;
- Promoting development of rural production, providing conditions for small business development, etc.

The responsibilities of municipal districts that influence rural settlements include the following:

- Providing conditions for transport services to citizens and transport connections among the settlements within the district boundaries;
- Organization of public order protection on the municipal district territory;
- Organization of primary, general basic, secondary (complete) general education.
- Organization of ambulance service, primary medical assistance in out-patient, in-patient and hospital institutions;
- Providing conditions for communication services, catering, trade and consumer services for settlements within the district boundaries;
- Providing leisure organization and culture services for settlements within the district;
- Leveling the budget incomes of settlements in the municipal district, at the expense of municipal district budget;
- Providing conditions for rural production development in the settlements, etc.
Project Territories

Three regions were selected to take part in the project on a competitive basis according to World Bank procedures: Perm Region, Penza Region and the Republic of Adygeya. Cooperation agreements were signed with these regions. This was followed by random selection of districts (three in Perm and Penza regions and two in Adygeya), and settlements in each district in the same proportion. A total of 30 pilot municipalities were selected at the level of rural settlements and districts. Pilot municipalities received information and consulting assistance within the project.

In addition, districts receiving only information support were selected in the regions (semi-pilot districts). The number of such districts was equal to the number of pilot districts in the project.
Mechanisms providing effective self-governance

### Pilot Rural Municipalities

<table>
<thead>
<tr>
<th>Perm Region</th>
<th>Penza Region</th>
<th>Adygeya Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezovsky district</td>
<td>Narovchatsky district</td>
<td>Maikopsky district</td>
</tr>
<tr>
<td>Berezovskoye rural settlement</td>
<td>Skanovsky village council</td>
<td>Krasnoulskoye rural settlement</td>
</tr>
<tr>
<td>Sosnovskoye rural settlement</td>
<td>Surkinsky village council</td>
<td>Dakhovskoye rural settlement</td>
</tr>
<tr>
<td>Pereborskoye rural settlement</td>
<td>Vilyaysky village council</td>
<td>Krasnogvardeisky district</td>
</tr>
<tr>
<td>Osinsky district</td>
<td>Penzensky district</td>
<td>Sadovskoye rural settlement</td>
</tr>
<tr>
<td>Krylovskoye rural settlement</td>
<td>Vasilyevsky village council</td>
<td>Ulyapskoye rural settlement</td>
</tr>
<tr>
<td>Novozalesnovskoye rural settlement</td>
<td>Zasechny village council</td>
<td>Khatukaiskoye rural settlement</td>
</tr>
<tr>
<td>Okhansky district</td>
<td>Leninsky village council</td>
<td></td>
</tr>
<tr>
<td>Andreyevskoye rural settlement</td>
<td>Nikolsky district</td>
<td></td>
</tr>
<tr>
<td>Belyayevskoye rural settlement</td>
<td>Akhmatovsky village council</td>
<td></td>
</tr>
<tr>
<td>Taborskoye rural settlement</td>
<td>Nochkinsky village council</td>
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<tr>
<td></td>
<td>Kerensky village council</td>
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<table>
<thead>
<tr>
<th>Perm Region</th>
<th>Penza Region</th>
<th>Adygeya Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bardymsky district</td>
<td>Neverkinsky district</td>
<td>Teuezhshsky district</td>
</tr>
<tr>
<td>Il’insky district</td>
<td>Serdobsky district</td>
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<tr>
<td>Kishertsky district</td>
<td>Nosnovoborsky district</td>
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### Semi-Pilot Rural Municipalities

<table>
<thead>
<tr>
<th>Perm Region</th>
<th>Penza Region</th>
<th>Adygeya Republic</th>
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</table>

### Brief description of project Results

An information and consultation network was formed within the project to support the pilot municipalities and strengthen the dialog between settlement administrations and their inhabitants. Consultants on social and legal issues were selected on a competitive basis to work in each pilot region. The consultants received special training and were able to clarify complicated issues with specialists from the Institute of Urban Economics, Center of Fiscal Policy, and The Center for Legal Support to Local Governance, Russia. Hence the project allowed for direct two-way communication between municipal consultants and leading specialists in self-governance. The opportunity to receive consultations at the highest (usually inaccessible) level really widened access to information available to the pilot rural municipalities and was one of the most important instruments introduced by the project.

The project design ensured that time and space isolation, the main constrains of rural territorial development, were minimized. To mitigate these constraints, the project provided the RMCs, LMCs, and rural settlement officials with necessary information and communication technologies (computers, software, mobile telephones, payment for a year of internet and/or mobile telephone connection). In addition, a feedback page on the IUE website was created, so that each consultant/settlement head/other participant could post a question related to municipal development. A response to questions posted was guaranteed within 2 weeks.

Two general forums and five training seminars were held within the training framework of the project. Consultants and also members of the project working groups benefited from this training (for details on the training seminars see CD and separate booklet).
Working groups were established in all pilot settlements of the project. They included representatives of all sectors of society in the pilot settlements: representatives of civil society (women, youth, and veteran organizations), rural deputies elected for the first time according to the new law 131, and settlement administrations.

Consultants and members of the working groups held five community meetings in one and a half years in each settlement. The attendance of the meetings was quite high – from 30 to 80 participants. The meetings were held to define priorities in development of the settlements that were then taken into account when SIAPs were developed. As a rule, three development priorities were selected in each pilot rural settlement.

Service Improvement Action Plans (SIAPs) were prepared by the working groups and discussed at community meetings in each pilot settlement. The SIAPs were based on the priorities defined by the community. On the whole, working group members included in the SIAP tasks related to the rehabilitation of rural social infrastructure (for example, road maintenance, street lighting, water supply, support of cultural life in the settlement). The SIAP tasks were either accomplished using community resources, presented at the budget hearings to be included in budget expenses for the next year, or in mid-term plans of settlement development.

Legal consultants in Perm Region held over 300 consultations for the citizens of pilot settlements of the project on issues concerning land legislation, and application of property and civic rights.

The framework of legal assistance of the project included analysis of the legal normative base of pilot municipalities and development of a structure of model normative legal acts. Municipalities selected and passed model acts from a list of recommendations after revising them according to local needs. Over the period of the project implementation, the level of provision by normative legal acts has more than doubled in the pilot municipalities. In the pilot areas, municipal heads and specialists received over 400 expert consultations, while the local communities benefited from more than 700 consultations.

Locality cards of municipal districts and rural settlements were developed and tested within the project to be an informative basis for evaluation and self-evaluation of local self-governance bodies in rural settlements. Locality cards were approved in all 3 pilot regions.

A settlement locality card includes 243 quantitative and 31 qualitative indicators, while a district locality card contained 337 quantitative and 31 qualitative indicators. Locality cards were approved in Berezovsky district and Dubovskoye settlement in Perm Region, Giaghinsky district and Krasnoulskoye settlement of Adygeya Republic and in Akhmatovskoye settlement and Nikolsky district of Penza Region.

Analysis of funding for municipal services in education, healthcare and territorial improvements was carried out in the pilot districts of all three project regions. Recommendations on monitoring provision of municipal services were developed. The research results were discussed at teleconferences with representatives of each pilot region.

A system of monitoring project implementation was developed, including results indicators. Monitoring research was carried out and a database was formed for further processing.

Local Community Foundations in the pilot regions received methodological support. The Foundations held annual grant competitions, in which rural inhabitants started to take part. Fundraising training sessions were held for representatives of the pilot settlements, and then local NGOs took part in grant competitions and won funding to solve local problems. For example, in Penza Region, a quarter of applications selected for funding were submitted by rural communities.

In 2005-2006 over 200 rural projects were submitted for grant competitions in the pilot regions, and 40 of these projects won. The total sum of funds distributed for implementation of rural projects equaled 1, 761,000 rubles.
Prerequisites for dissemination of project experience:

- Administrative support on regional and district levels,

- Exchange of information and experience among rural settlements within and beyond a region,

- Creating conditions for a dialog among all concerned parties (local business, authorities, institutions of civil society) and government departments (economic, regional and rural development).

One should note that the influence of the project is much wider than its direct results. In two pilot settlements of the project (Andreyevka and Belyaevka, Okhansk district, Perm region) village schools have submitted applications for the national project on education launched in 2006. One of the project RMCs, an education specialist in the district administration, assisted the schools make their 4-year development proposals for the national project using her knowledge and new skills gained from the project training sessions and seminars. In Andreyevskoye settlement (Perm Region), a course on local self-governance has been included as an option in the regional component of the curriculum. Vera Bolotova, head of the settlement, initiated regular local radio shows on self-governance. The World Bank supported a youth conference where young citizens of rural settlements exchanged their experience on participating in local self-governance and learned to develop projects and produce grant applications to provide financial support for them. Heads of pilot settlements exchanged their work experience, e.g. establishment of local associations, and also learnt about foreign practices of effective rural self-governance via study tours to Albania, Bulgaria, Bosnia-Herzegovina, Kirgizia, Ukraine, and others.

Detailed description of all project components is given in the materials below prepared by the project consultants and also on the attached CD.

In Krasnoulskoye settlement (Maykop district, Adygeya Republic) the citizens selected water supply system renovation, kindergarten repairs and youth sports ground as their priorities.

The problem of renovating the water supply system fell under the category of territorial improvements that the new law 131-FZ passed to settlements. This task was accomplished via cooperation between the settlement administration, representatives of local small businesses, and citizens. A scheme was developed to delegate the water supply service to a local enterprise focused on water supply system repairs. Three-sided agreements were drawn up between consumers, the municipality and the enterprise. As a result water supply was provided in six khutors of the settlement.

Kindergarten repairs were included in the district program on developing pre-school education, as municipal services in education are legally the responsibility of district authorities. The sports ground project was implemented by a youth NGO called «Blue Bird». A lot of work was done by the schoolchildren themselves, and they found funds for the project by applying for and winning a grant from the regional Development Foundation.
On January 1, 2006 the Federal Law No. 131 «On General Principles of Local Self-Governance in the Russian Federation» came into force in Russia. The law introduced two kinds of municipalities, defined distribution of functions and authorities between federal authorities and local self-governance bodies. The legal acts that followed prolonged the transition period up to the year 2009. However, a lot of constituent entities of the Russian Federation decided not to put off formation of local self-governance according to the new principles and fully introduced the Federal Law No. 131 on January 1, 2006.

According to the law, each municipality should have its own budget. The budget should be formed, approved and implemented independently by local self-governance bodies. The concept of Federal Law No. 131 presupposes that local self-governance bodies should cooperate closely with local communities and be responsive to public opinion in the process of decision-making. There are some considerable mentality and cultural factors that are obstacles to the introduction of local self-governance in rural settlements of Russia: the historic passivity of the population, the absence of ways to really influence the authorities, and the absence of procedures to take public opinion into account. The population has been for a long time excluded from the process of decision-making that directly influences their interests.

The project «Local Self-Governance and Civic Engagement in Rural Russia» aimed to: promote more active local communities, enhance the quality of cooperation between local self-governance bodies and citizens, promote civic society development, provide the necessary institutional conditions to implement Federal Law No. 131 and, ultimately, to improve the quality of community life. In other words, the project involved teaching local self-governance bodies to interact effectively with community, formulating procedures of civic participation in defining and discussing local priority issues and ways to deal with them, and introduce the procedures in practice for everyday use, make them a local tradition (custom, rule), and develop tools of participatory problem-solving and control over local self-governance bodies.

Problems Revealed and Results Achieved

Initially, administrations of some rural settlements were skeptical about the project ideas to widen civic engagement in local self-governance for the following reasons:

- Settlement budgets for the first year of implementation of the new law on local self-governance were formed by fiscal authorities of municipal districts, and the settlement governments were still restricted in their responsibilities regarding the budget process in 2006.

- Heads of settlements were concerned that there would be no funding in the budget for the priorities defined at community meetings.

- Appeal to public discussion of local problems could cause an illusion that there are additional financial resources to deal with these problems.
Citizens know little about the distribution of responsibilities between local self-government levels and could demand settlement governments to solve problems not in their jurisdiction.

The community meetings could cause unfair distribution of funds because the most active and well organized groups of citizens would lobby their own interests to the prejudice of the settlement’s interests.

However, the methods of interaction with the community proposed by the project experts led to public consensus. 10 Rural Municipal Consultants (RMCs) were selected on a competitive basis. They were taught the basics of budgeting and gained practical experience of civic engagement activity in local self-governance while working on the project implementation.

Working groups, including representatives of administrations, municipal council deputies and community members, were formed in the pilot rural settlements with the assistance of international experts and local consultants. 6 training sessions were held for the working groups on a wide range of issues of municipal governance. Such training itself leads to greater interaction between community and administrations, enhancement of public activity, and civic engagement in service improvement.

According to the project objectives, five community meetings were held in each pilot settlement. Levels of attendance and engagement in the proceedings were very high during the meetings.

In all 22 pilot settlements, SIAPs were developed that helped or are helping to solve local priority problems and to improve the quality of municipal services. The SIAPs aimed to solve a wide range of problems – from street lighting, garbage collection, and road maintenance to support of the local youth groups’ initiatives. Many of the SIAPs have already been implemented.

Some RMCs (e.g. in Adygeya Republic) have already been asked by heads of the settlements that didn’t take part in the project to do the same work on their territory. The project provoked great interest among heads of settlements. Project solutions and dissemination of project experience to the other regions will promote local self-governance in rural settlements of Russia.

«People's participation in the governance of their home territories can be much more active and productive. Our project has expanded access to information, education and specialists, and experts. This has given people equal rights with other citizens of today’s Russia».
Maria Amelina, Senior Specialist in Social Development, World Bank

As a result of implementing SIAPs in the project pilot settlements: 107 km of roads and 10 km of water pipeline were repaired; 6 water pumps and 1 spring were renovated; 3 public recreation areas, 2 playgrounds and 1 market place improved; hundreds of trees planted and flowerbeds laid out; street lighting renovated in 10 khutors and villages; tons of garbage collected and removed; a beach organized for children on the bank of a pond; a rural sports union established; rural holiday traditions restored, and much more.
Project Mechanisms

The main project component consisted of improving municipal development by expanding civic engagement in budgeting and municipal planning and improvement of municipal services. This component was implemented by a group of international consultants, including the Urban Institute, Washington DC, Institute of Urban Economics, Moscow and Urban Research Institute, Albania (hereinafter – international experts).

The international experts developed a synergetic approach, including RMCs training, formation of working groups and involvement of a wide range of local activists in the project. The RMCs were trained using an intensive learning system and constant cooperation with the international consultants. The working groups in the settlements received ongoing assistance. The groups, in their turn, involved the whole population of pilot settlements in the project.

«Within the project ordinary people in all the settlements believed that they are able to change some things, and started to take part in competitions for social and cultural projects. For example, Taboriske settlement did not win the grant but now they have experience in preparing grant applications. Belyaevka won a grant for leisure activities (they got 10 pairs of skis) and renovation of public recreation areas. Andreyevske won a grant for professional training of tractor drivers – and this profession is very important for any settlement»

Extract from a report of Ludmila Trushnikova, an RMC

«We found out during the seminars and community meetings that both citizens and administration are in fact ready and open for dialog. Moreover, they strive for this dialog»

Olga Strelets, IUE project coordinator, Penza Region

Picture 1

Interaction within the Project
In order to achieve the project goals, the following tasks were accomplished:

- Preparing/training of RMCs,
- Formulating and introducing into everyday practice procedures for civic participation in the discussion on local issues and ways to deal with them,
- Develop techniques to attract all the parties concerned to problem-solving in the settlement and monitoring of local self-governance bodies.

The following actions were carried out in order to accomplish these tasks:

- A series of training seminars held for representatives of communities and administrations of the pilot rural settlements where the following issues were discussed:
  - Forms of public participation in local self-governance,
  - Success factors for community meetings,
  - Defining priorities of local community using priority criteria developed with citizen participation,
  - Local participatory budgeting, Development and implementation of SIAPs,
  - Principles of intergovernmental relations,
  - Principles of result-oriented governance as an effective mechanism for budget planning and implementation.
- A series of meetings for the inhabitants of pilot settlements to form skills of civic participation in prioritization of development and decision-making processes
- SIAPs developed in the pilot settlements
- Calculations to enable settlements to independently estimate intergovernmental transfers.

«Rural municipal consultant – a new profession»

«Analyzing my work experience as an RMC, the following positive points should be noted:
...I acquired new knowledge and skills, and used them working in the rural settlements of the district

...I understood that the knowledge I have is necessary for those who live in rural areas, that it can be used to encourage their interest not only to their settlement activities, but also to the activities of the whole district

...I felt happy for the settlement inhabitants when they worked actively and some results were achieved with joined efforts, especially when the results led to significant positive changes

...Support of the district administration was an important incentive for me, it was the main factor. It’s good to feel that the head of a rural settlement sees you as a partner.»

(from L.B. Trushnikova’s (RMC) report)

«At once I developed a set of integration rules for myself.

1. I’m not a guest, but a citizen.
2. I’m not a teacher, but a partner
3. I’m a safe «bridge» between the authorities and the people. We are going to learn to respect each other.
4. I will use my knowledge and experience to serve my settlement.
5. Learn, learn and learn.

Today, as I look back on my almost two-year experience in the project, I understand... I was able to accomplish the most important task: Krasnoulskoye settlement has taken up the principle «YOU CAN’T SURVIVE IF YOU DON’T DEVELOP» and is going to use it from now on».

(from Alexandra Viznyak’s report, RMC, Republic of Adygeya)
Theoretical and practical trainings for RMCs and their preparation for independent work in the future

Nowadays there is a shortage in rural settlements of people with skills in democratic governance, community interaction, organization of community meetings, and surveys of public opinion, etc. For that reason, one of the project ideas was the training of RMCs who could serve as intermediaries between the population and local governments enhancing the effectiveness of popular participation in budgeting and other formal governance processes as well as provide advice on a range of fiscal and financial issues. The RMCs were to creatively use the tools offered to them during the trainings and other capacity building activities. The RMCs were supposed to be sufficiently trained by the end of the project to work independently as rural participation facilitators/advisors on local governance issues.

Holding a series of training seminars for local communities and administrations of pilot rural settlements

The training seminars on each subject were held by international experts in all pilot municipalities – districts and settlements. RMCs and members of the working groups of each settlement attended the seminars in the correspondent districts. An average of 30-40 participants attended each of the trainings.

Civic engagement: series of rural community meetings

Federal Law No. 131 states that the draft local budget should be discussed at public hearings. However, experience has shown that it’s not enough to hold budget hearings for even the most active citizens to be able to understand budget planning and report their needs to the administration. A multi-stage procedure to find out public opinions on budget priorities was introduced in the pilot settlements. A community meeting was held at each stage. At the meetings, citizens were informed about the basics of local self-government, responsibilities of local authorities, and budget structure. Project experts and RMCs told rural residents how they can participate in decision-making and in choosing the ways to achieve the priorities set. Following a general informative session, there was then a public discussion of local problems. The working group prepared a final document according to the results of the discussion and submitted it to the settlement administration. The administration took this report into account in its work and kept citizens and the relevant representative body informed of progress. The following community meetings were held within the project:

Community meeting 1. «Community Visioning Festival» on the prospects of local community development and short-term tasks of the settlement.

Community meeting 2. «You talked, We listened: Did we get it right?» Reaching consensus between the administration and local activists on priority issues for the settlement and directions of local administration work.


Community meeting 5. Kick-off meetings for FY 2007 Budget Development.

«The project has expanded the «informational horizon» with computer equipment provided for RMCs as well as for the settlements, which used to have just telephones and no resources to purchase anything else. Nowadays the head of Andreyevskoye settlement exchanges e-mails with Moscow and Bulgaria. All holidays are videotaped in Taborskoye settlement, and in Belyayevka the equipment is used to fill in grant applications and attract new funds for territory development»

Extract from a report of Ludmila Trushnikova, RMC, Perm region
Service Improvement Action Plans

SIAPs are developed according to the principles of results-oriented management practices. These plans create a framework and define a course of actions to improve the quality of a certain municipal service or to solve a particular local community problem (e.g. territory cleaning, road maintenance, job creation, street lighting, etc.). Development of a SIAP presupposes:

- Current situational analysis for the priority problem/service selected
- Formulating clear and realistic objectives
- Development of a strategy and an action plan to achieve the objectives set (using optimal management practices and all resources available)
- Monitoring of the service delivery or estimation of results achieved

Intergovernmental relations

Subsidies leveling budget incomes and transfers to settlement budgets from higher-level budgets are the most significant source of income for most settlements’ budgets. Under these conditions, it is important to understand how these subsidies are distributed among settlements, the relative importance of various parameters, etc. Without knowing the principles of intergovernmental relations, local self-governance bodies will not feel confident interacting with higher-level authorities and will not be able to forecast budget revenues from intergovernmental transfers.

A seminar on the principles of intergovernmental relations, which presented in detail the provisions of regional normative acts on intergovernmental relations, was held for the working groups of settlements and representatives of district administrations. Experts of the Institute of Urban Economics developed computer software that can forecast the amount of subsidies for settlements in municipal districts that provided the necessary statistical data.

To sum up the project results, the following should be noted:

- Heads of settlements that took part in the project were able to better understand their role as heads of municipalities, acquired useful knowledge and skills on interacting with the community, and learned to find optimal comprehensive solutions to local problems.
- Working groups were formed in all pilot settlements to take part in defining priority problems of the local community and discussing possible solutions.
- Social activity in solving local issues increased in the pilot settlements, which helped to solve a great deal of problems related to territorial development, organization of leisure time, and cultural activities for rural inhabitants.
- Public hearings have become better organized and more effective. All issues are discussed in a more constructive manner.
- Mutual understanding between local self-government bodies and communities of the pilot rural settlements increased, resulting in higher quality of life. The SIAPs, aimed at solving important community problems, confirmed for both sides that joint cooperation between the local community and self-government can really improve the life of local community. In 18 months we were able to solve problems that had been unsolvable for years, and active cooperation of local community and authorities was the key «secret of success.»

Nadezhda Sibatrova, IUE project coordinator, Perm Region
Project results case studies

The Settlement Is Our Home, and We Are Its Owners

Krasnaya Ulka settlement, Adagheya Republic

«Since the very beginning of the project we have dreamed that if we can address the most important issue – that is, helping the government and the citizens see the effectiveness of their collaboration – then looking at the project’s results will definitely be a big community celebration.»

Alexandra Viznyak, Rural Municipal Consultant, Krasnoulka settlement, Adygeya Republic

The crowd applauded as the head of the local administration awarded prizes of 1,000 Russian rubles (about US$40) to households judged the most active in working to improve the quality of life in the community. Citizens discussed the work achieved during the previous year toward the creation of a reliable system of quality water provision. «From now on, we should take a more active role in the life we lead in our settlement,» a nurse from the local outpatient clinic said.

This is how Alexandra Viznyak, the Rural Municipal Consultant for Maikopsky Rayon, describes the scene at a community gathering in Krasnoulka, which recently held a festival to conclude a competition called «The settlement is our home, and we are its owners» (Poselenye – nash dom, i m’i hozyaeva v n’em). The competition was held by the local administration in recognition of families who had set an example in maintaining their households and had taken a role in improving the settlement.

Other community members recognized at the festival were those who had actively worked to make progress in the priority areas that were identified by the settlement and had been subsequently developed into Service Improvement Action Plans (SIAP). The three main priorities in Krasnoulka for 2006 were: the renovation of the water supply system, creation of a new sports recreation area, and street lighting improvements. Various members of working groups focusing on these priorities were recognized during the festival as the progress on the SIAPs was discussed, including a local volunteer electrician working on street lighting and a citizen assisting the youth group «Blue Bird» to build the recreation area. More than 30 people received prizes and gifts.

Above all, it was a moment when the community could see how the efforts of citizens, the local administration, and local groups such as the Council of Business people could mutually reinforce each other to bring about positive change. As Ms. Viznyak, a journalist by profession, later wrote in one of her articles: «Since the very beginning of the project we have dreamed that if we can address the most important issue – that is, helping the government and the citizens see the effectiveness of their collaboration – then looking at the project’s results will definitely be a big community celebration.»

The Krasnoulky settlement continues to actively address problems in their community. A local board of trustees has been formed to consolidate and manage non-budget resources (e.g. citizen contributions) to help address Krasnoulka’s future priorities.
Keeping Novozalesnovsky Clean and Beautiful

Novosalessnovskoe settlement, Perm

A number of garbage dumps had formed in unsanctioned areas throughout Novozalesnovsky. Some residents said they had difficulty hauling the garbage generated by their household or farm to the proper disposal site, while others admitted that initially they did not think the trash piles were a problem.

Over time, however, a number of concerns began to surface. Some worried that the dumps and the animals that fed on them could become a source of infection. Others noted that trash heaps created on or near pastures could potentially pose a threat to the health of the livestock and its owners. Some of the heaps attracted packs of stray dogs that would scavenge for food and at times become aggressive toward humans. Finally, the garbage detracted from the overall appearance of the settlement.

During the course of community gatherings during 2005 and 2006, the residents agreed: the trash piles had to go. The community decided that making progress in this area would become a priority for 2006 and a Service Improvement Action Plan (SIAP) was developed using the skills the LG/C Working Group had acquired during the project’s seminars.

The local administration conducted a survey among the local population to confirm to what extent the garbage dumps were perceived as a problem and to determine the demand for regular trash removal services. All of the citizens involved in the survey expressed their support for clearing the unsanctioned dumping grounds and volunteered their help. The survey also showed that 70% of residents thought they could benefit from a regular trash removal service to haul garbage from their homes.

Following the survey, the residents formed a volunteer group of more than 20 people to start the process of clearing the unsanctioned garbage dumps. Local high schoolers and other citizens formed an «Ecological Assistance Team» to support the efforts. Of the five major dumping grounds that had formed throughout the settlement, two have been cleared thus far. Moreover, arrangements have been made with a local resident who owns a tractor and a cart to haul garbage to the proper disposal site twice a month, for which he will receive a monthly remuneration of 700 rubles. An official landfill has been created outside the settlement’s residential territory and community members were informed of its location.

To further improve the aesthetic appearance of the settlement, flowerbeds were also planted within the scope of the SIAP.
Tapping into Community Resources for Better Water

Vasilievsky settlement, Penza Region

«When the project first began, I have to admit the local administrations were a bit skeptical... I see now that there were some real successes...most of all, that the communities came together and actually accomplished what they had planned.»
Gulnara Kumaleeva, Rural Municipal Consultant, Penzensky district, Penza region

In Vasilievsky, citizens and settlement administration first came together for a Community Visioning Festival in the fall of 2005. They were introduced to the new Law on Local Self Government, and began to discuss the role that civic participation could play in the local decision-making process. After a discussion of the settlement problems, the community determined that the renovation of the water system was a key priority requiring action. The local administration took this priority into account when putting together the budget for 2006. A Service Improvement Action Plan (SIAP) was then developed.

As part of the SIAP, the settlement planned to rehabilitate 5 kilometers of the water pipeline in 2006 (out of 9.5 km of pipeline that needs attention). As of November 2006, this goal had already been met. As a result, 240 households now have reliable access to clean drinking water. While some financial resources were included for this project in the local budget, the households receiving the service came together and decided to put forward their own contributions to purchase the pipeline and conduct the necessary renovation works. After the works were completed, there were no funds remaining to level the road surface that had been dug up for the project. A private citizen, one of the members of the SIAP working group who had access to such equipment, offered his help, and he and members of the community were able to return the road to proper condition over the course of one weekend.

The RMC noted that in Vasilievsky in particular there had been limited enthusiasm from community members and leaders at the start. They pointed out that the resources in their budget were very limited, worried that «nothing would work,» and cited greater concerns such as high unemployment that could not be easily resolved through civic engagement or participatory processes. While their concerns were founded on real issues in the settlement, over the course of the past year they have been able to improve the quality of life despite all the constraints.

In addition to work on the water system, the settlement was also able to create a puppet theater club. Using the skills acquired in part during the seminars and training of this project, the local administration competed in a small grants competition organized by the «Civic Union» Fund and won funding to purchase puppets for the children’s puppet theater.
Energizing the Community Through Celebration

Belyaevska settlement, Perm Region

Although Belyaevka has a rich history of celebrating traditional settlement holidays, it has been ten years since its residents have come together for such an occasion. At the first Community Meeting held in 2005, the citizens and the local administration agreed that more cultural events would help unify the settlement, raise morale, and provide an additional source of recreation and entertainment. To this end, the community decided to make the revival of traditional settlement holidays a local priority for 2006.

A working group – composed of members of the administration and community members such as a hospital doctor, a physical trainer, and a teacher of music – was formed to lead the development of a Service Improvement Action Plan (SIAP). The group applied knowledge acquired during the project’s trainings to collect information for a situation analysis, set objectives for improvement, develop performance indicators, and determine a plan of action.

Despite the fact that little financing was available in the local budget for this priority area, the settlement proceeded with its plan and carried out many of its planned activities. For example, in March 2006 during a festival called «Goodbye Winter, Dear Winter!» residents came together to celebrate the conclusion of winter and hold amateur competitions and relay races relating to winter sports. The festival was financed primarily by local businesses and was covered in the rayon newspaper, Okhanskaya Storona.

In June, Belyaevka held a festival called «Rural Settlement Day,» which recognized all of the community members through activities ranging from a tricycle race for the children to a ceremony to honor the village elderly with certificates and gifts. The holiday was held with the support of local businesses, many of whom were happy to sponsor the event, which was so well-received by the settlement residents.

In August, the settlement held a «Competition and Exhibition of Flowers, Fruits, and Vegetables.» According to the SIAP action plan, two more events are planned during 2006: «Play on, Harmonica!» to award the best harmonica players in Belyaevka; and a celebration of the 35th Anniversary of the Arts Center.

Over the course of the year, these holidays brought together members of every age group to participate in the planning and implementation of the events as well as the actual festivities. Despite the financial constraints, the settlement was able to hold a number of public festivals that energized the community for collective action and recognized its citizens for their involvement.
Creating Harmony: Enhancing Citizens’ Access to Information

Andreyevka settlement, Okhansk district, Perm region

«As we implemented the plan, we understood that it is important to set a concrete goal and work to reach it with everyone’s involvement. Civic engagement comes to life when citizens realize that their voices have been heard.»
Nadezhda Babushkina, Director, Municipal Information Center «Harmony»

In Andreyevka approximately one-third of the households raise poultry, a key farming activity and source of income. This made the news reports in the summer of 2005 when Russia reported its first outbreaks of highly pathogenic avian influenza during, the disease that at first affected southeast Asia hit a bit closer to home.

At the community gatherings held in 2005, the community decided that avian flu deserved their attention. The outbreak earlier that year in Siberia was attributed to contact between domestic birds and wild waterfowl, and the settlement was potentially at risk due to waterfowl populations nesting in proximity to the seven ponds and five rivers on the settlement’s territory.

The first step to disease prevention is awareness, so Andreyevka decided to ensure access to information on avian flu and made the dissemination of information about the disease a priority direction for 2006. The Local Government/community Working Group (LG/C) developed a Service Improvement Action Plan (SIAP) to identify outcomes and an action plan.

In recent years, few residents have had regular access to newspapers, magazines, and radio. Given the lack of reliable sources of information, one key action taken was the creation of a community information center, «Harmony.» The LG/C group created the center in the village library, an accessible location for all villagers.

In 2006, employees of «Harmony,» assisted by local students, undertook activities to educate the public about avian flu. During the summer of 2006, they produced flyers, set up exhibit booths, and handed out pamphlets. They also prepared a skit and made field visits to neighboring settlements to educate them about the risks associated with avian flu. A unit on avian flu was added to the curriculum at the local school. To apply their knowledge on avian flu prevention, residents vaccinated all the fowl in the settlement against the virus.

While «Harmony» at first focused on avian flu, it now serves as a resource for other community issues, such as serving in the armed forces and laws affecting the settlement. SIAP performance indicators will allow for monitoring of the impact Harmony has on a variety of issues such as citizens’ satisfaction with information about the local government.

The information center «Harmony», established in Andreyevka settlement.
Local Community Foundations – Tools to increase Civic Activity

An LCF accumulates local resources and attracts external ones to solve the problems of local community and distributes the accumulated funds through competitions. Regular competitions enable local problems to be solved efficiently. One has to be able to develop a project in order to apply for a competition. That’s why Foundations also accomplish an educational task – teaching people effectively to use new approaches to solve local problems, to proceed from an idea to a project, to share the experience gained.

An LCF works according to the principles of collective leadership and accessibility, transparency and efficient distribution of resources. With the status of a non-profit organization, an LCF can use the local resources, and also attract international grants.

Participation of business in LCF activity and accumulation of funds shows the trust to the Foundation and confidence in the effectiveness and urgency of the projects the Foundation supports. The presence and support of an LCF as a permanent institution allow representatives of local business to participate in the process of solving community problems.

But the most important fact is that an LCF offers a practical mechanism for the interaction of authorities, business and NGOs. There are rules and approaches, procedures and systems of decision-making, responsibility of the parties and reporting to the community. Hence LCFs are becoming more widely spread across Russia not only as an institution of philanthropy and civic engagement.
Background and Opportunities for Establishing LCFs in Rural Areas

CAF used the model of local community foundation, traditionally applied to town communities, for rural areas for the first time within the project «Local Self-Governance and Civic Engagement in Rural Russia». Of course, the project didn’t have the objective to fully transfer (adapt?) this model to rural areas, but particular traits and parameters, characteristics and approaches to creating a local foundation were used.

Previous CAF experience of working with projects from «remote places» and rural areas within the framework of other programs helped to define the features, priorities and directions of rural projects.

Three LCF models in project regions

After a competitive selection, the project included Penza Region, Adygeya Republic and Perm Region. When territories were selected for the Project, one of the criteria used was the presence of a foundation or, at least, an enabling environment to establish one.

Each of the three regions selected for the Project had formed its own approaches to work in rural areas, but none of them had developed a special approach for rural inhabitants. However, there were certain conditions and prerequisites to create such foundations.

The Resource Center «Assistance» («Sodeistviye») worked successfully in Adygeya Republic. It accumulated municipal and business income and distributed funds on a competitive basis, mainly in towns. A Resource Center (RC) is basically analogous to that of an LCF, nevertheless a republican foundation oriented towards rural areas was established and registered here within the project. In 2005-2006, four grant competitions were held which attracted 37 applications, including 10 from rural areas. Six winning applications got a total of 190,000 rubles and each of the projects had an average of 100 beneficiaries.

The regional Foundation «Civic Union» («Grazhdansky Soyuz») in Penza region expanded its grant competition programs to rural districts and held trainings on competition procedures for rural NGOs and employees of rural administrations within the project lifeline. 4 competitions were held in 2005-2006: 94 grant applications were submitted, of which 28 were from rural territories (7 rural applications won grants). The total funding for rural projects was 300,000 rubles, with about 100 beneficiaries per project.

A specialized rural foundation, implementing all kinds of activity and having all the necessary LCF characteristics, was established in Perm Region via a CAF grant in 2005. The Foundation has accumulated considerable resources, holds grant competitions and is strictly oriented towards rural development. It has proven to be an influential organization having enough experience in implementing interesting projects and promoting citizen activation in rural areas of Perm Region. In 2005-2006, the foundation held two inter-territorial competitions for applicants only from rural districts. 86 projects were presented in 2005, of which 18 were awarded a total of 830,000 rubles. There were 88 projects in 2006 and 9 were financed with a total grant amount of 441,000 rubles. On average, there were 25 beneficiaries in each project.

The three foundations dealt with similar tasks:

- support the promotion of social collaboration of citizens, institutions and public organizations in the social and economic development of rural municipalities
- unite the efforts of all social sectors in order to deal with local problems
- accumulate local resources and use them to satisfy local community needs on a competitive basis
- teach the basics of project culture to non-profit organizations
- define the range of social services demanded by different groups of population

1 CAF Russia program «YUKOS Competition of Social Projects» worked in 9 rural districts
The basic tasks of CAF in the project were to contribute to:

- stability of the foundations through assistance in attracting additional financial resources (participation in CAF grant programs, consulting and information on other fundraising opportunities),
- promotion of new foundations (Perm and Adygeya) to the LCF partnership,
- increase of recognition of the foundations in the Project regions and throughout Russia,
- additional training and raising the level of employees’ skills,
- promotion of the foundations internationally via conferences and study tours abroad.

Each of the three regional LCF models promoted activation and engagement of the community in local problem-solving, development of new services and improvement of the quality of life.

Each foundation uses its own fundraising methods, each has its own opportunities and difficulties, and each has its own vision of the foundation’s role in the particular region. The dissemination of rural community foundations in other regions depends on the presence of a leader who is able to attract people and make them interested in the idea of a foundation. The positive factors here are the presence of a similar foundation or a large resource center of civic initiatives in neighboring territories and also the support of the foundation initiative by local government.

The activity of foundations, established and supported within the Project, shows the existing opportunities for creating a new structure. The grant and training programs help to achieve wider goals. The community is activated, and engaged to solve the local problems, and also trained effectively to learn about the new approaches. Rural inhabitants are motivated by the principle «not worse that the neighbor». And this principle is a good stimulus for changes in rural areas.

Nina Samarina, Director of «Sodeystviye» (Assistance) Foundation, Perm:

«Where there is some initiative, questions always arise: What to do next? How to develop? Where to look for resources? How can we influence the choice of priorities in solving the numerous problems of rural inhabitants?» Most of these questions can be answered if we develop the third sector, and establish public organizations and unions, non-profit organizations and Local Community Foundations».

When an LCF is created, all prerequisites – both objective and subjective – existing on a particular area should be taken into account. Such prerequisites include the level of social and economic development of a rural settlement, the presence of large business structures, enterprises and organizations, directions of activity and development of business community on the given territory, civic initiatives and activity, local community leaders, trusted and respected by all members of the community. Experience shows that establishment of an LCF as a form of co-operation requires long-term effort and a great deal of work with the population.

The main function of an LCF is to provide financial support to social projects on its territory, thus the success of a foundation depends on its ability to attract and manage funds.

A Foundation attracts funding from all available sources. Its reputation depends on how successful its fundraising activities are. A precise plan should be developed to form the consolidated budget of a foundation, all possible sources of funds, possible and potential sponsors – the future friends of your organization – should be described. Philanthropic actions may be used along with volunteer assistance, charity exhibition-sales, charity dinners and balls, auctions, concerts, other mass events, donations at work or «from house to house», charity phone, donation money-boxes, etc.
The attempts to consolidate local self-governance, to replace the current survival philosophy in the local communities by a development philosophy, and to activate participation of citizens in solving locally important problems are constantly opposed by the citizens' lack of faith in their own power, lack of knowledge about their rights and opportunities, and general distrust in the state represented by numerous officials. There may be different ways to deal with these problems, but it is obvious that such a project can not be effective without a legal component: careful research into federal and regional legislation on local self-governance, developing the ability to use these standards efficiently, perfection of skills and ways of municipal law-making, and development of legal methods to resolve conflicts on the local level.

The goal of the legal component within the project was to eliminate the legal vacuum in the pilot territories by doing the following tasks:

1. Assistance to local self-governance bodies of the pilot settlements and districts in preparing and passing normative and legal acts necessary for the implementation of local self-governance reform.

2. Providing regular legal advice for local self-governance bodies and officials of local self-governance in pilot municipalities.


4. Interaction with municipal consultants on social and economic issues related to the local development action plans.

5. Providing advice to inhabitants of pilot settlements on any legal issues.

In order to accomplish the tasks set within the Project efficiently, a network of consultants on legal issues was created. Lawyers were selected on a competitive basis to work in each pilot region of the Project. The criteria for selection used along with the general ones (age, education, work experience) included work experience in federal or municipal governance bodies, previous project work, practical psychology knowledge, etc.

It was found that there was a critical staff shortage in rural areas. It might seem that a legal education is one of the most popular degrees today but in fact there are very few people with a higher legal education, even in towns that are district centers. To make the selected lawyers able to accomplish the tasks set for them by the Project, a number of additional training events was held, and the lawyers' work was carefully monitored.

Besides, Marina Yakutova and Savva Shipov, experts of the Project, visited the pilot districts to hold working meetings and consultations on current issues of local self-governance reform. The meetings were attended by heads and deputy heads of pilot districts and settlements, representatives of regional administrations, municipal consultants and regional lawyers. Information on new normative and legal acts passed by Federal Authorities associated with the organization and implementation of local self-governance in the Russian Federation, analytical materials on the effectiveness of the aforementioned acts, and recommendations on their application were forwarded to regional lawyers by CLS LG every month.

Passing the new edition of the Federal Law «On General Principles of Local Self-Governance in the Russian Federation» significantly systematized the sphere of social relations subject to legal regulation at the municipal level. CLS LG analyzed the regulatory authorities of local self-governance bodies of municipalities according to old and new legislation. The results of the analysis were represented in a comparative table of regulatory authorities, visualizing the changes that have to be
made in the system of municipal normative legal acts. Before the Project, only 30 to 40% of the normative and legal basis was formed in the pilot district and rural settlements. In a number of rural settlements the legal and normative basis was not developed at all.

Two systems of normative legal acts («Trees») were developed by the Center, which regulated social relations associated with the responsibilities of municipal districts and rural settlements. Over the period of project implementation, the normative legal basis of pilot municipal districts and rural settlements was significantly improved and the model structure of normative legal acts for municipalities developed by CLS LG and methodological recommendations of the Center played an important part in the process. The model By-law of a rural settlement, developed by the experts of the Center, was adopted by some pilot settlements (e.g. Krasnaya Ulka Village, Adygeya Republic).

As a result of implementing the legal component, the normative and legal bases of local self-governance bodies in pilot municipalities were considerably improved. The legal basis of municipalities in Penza was improved, and in the newly-formed municipalities of Perm Region and Adygeya Republic the normative and legal bases of local self-governance were practically created from nothing. Having the «Tree» in front of them, municipal deputies and employees will be able to continue planned and sensible work to develop and pass new normative legal acts after the project’s end.

The practicability of legal advice to heads of rural municipalities and deputies of representative bodies of local self-governance by external consultants is obvious. It promotes legal literacy of local self-government officials, including elected officials and, consequently, leads to greater efficiency of local self-governance bodies in solving locally-important problems. In the year of project implementation, consultants provided legal advice to 370 municipal employees and over 700 inhabitants of pilot municipalities.

The results obtained during the implementation of the project «Local Self-Governance and Civic Engagement in Rural Russia» allow some general conclusions and recommendations on implementation of LSG reform in rural areas to be made.

The project showed that in the constituent entities of the Russian Federation one still counts first of all on municipal districts, not on settlements and the interaction with local self-governance is exercised through municipal districts, which does not let the State Authorities react in time to the needs of rural settlements, distorts the real situation and limits the equality of rights for municipalities. Transition of authorities in budget income leveling to local self-governance bodies of municipal districts leads to these authorities being used to subordinate settlement officials to district officials with the lack of legal and fiscal regulations from the constituent entities of the Russian Federation.

«Overall, providing free legal consultations is a real windfall of the project. People with limited material resources are happy to have access to specialist advice.»
Yulia Mashtakova, municipal lawyer, Nikolski district, Penza region

The issue of staffing for municipal institutions is extremely acute in rural settlements. New, high-quality and systematic educational programs need to be developed, and conditions need to be created to retain young specialists in rural areas: training for municipal employees has to be funded by the state.

The requirements for qualifications of officials in charge of forming and executing the settlement budget established by the Government of the Russian Federation do not permit substituting jobs in finance because of a lack of qualified staff. Such rigid requirements are not justified for rural settlements, as the budget of a rural settlement often varies from several thousand to several hundred thousand rubles per year.

Serious negative consequences are caused by the absence of proper information to local self-governance bodies of rural settlements. Access to legal base is made difficult, methodological materials are rarely received or are not received at all. One of the ways to improve quality of municipal governance is to provide local self-governance bodies of the settlements with new methodological materials and information.
The Registry of Expenditure Obligations as a code of municipal legal acts, establishing expenditure obligations, allows for high quality municipal governance and correspondence between local self-government activities and its competencies. Formation of the Registry of Expenditure Obligations is the most important task of the present period of implementation of local self-governance and administration reform.

It is necessary to introduce obligatory record-keeping of expenses for maintenance of municipal property objects, renovation and construction of new infrastructure. Local self-governance bodies cannot and do not have to be responsible for the fact that settlement infrastructure, needed to solve local problems, has been underfinanced for many years by the federal government.

Inter-municipal cooperation should be organized but not only and not so much in creating economic entities, as in exercising a number of functions requiring specialist knowledge, but not full-time work. In this case, it is reasonable to use one specialist for several settlements with shared financing. It obviously makes sense to think of creating an intergovernmental body that could take up a number of executive functions (except authoritative ones). It is extraordinary important to elaborate mechanisms for coordination of activity and agreement of interests between the state authorities and local self-government of settlements in dealing with issues of territory development and protection of citizens’ rights, and also within national priority projects in the social sphere.

It is necessary to develop legal procedures for agreement of viewpoints and conflict resolution between state authorities and local self-governance bodies.

And finally, only wide civic engagement in solving the locally important problems, results-oriented service provision by local-self-governance bodies, strict observation of legal provisions to reach and preserve balance between state and local interests will form a solid basis for civic accordance and free creative activity of people, i.e. for developed local self-governance in this country.
Local self-governance reform in Russia has made government authorities in the constituent entities of the RF and municipalities face the need to make independent decisions on territorial development in a difficult social and economic situation. The traditional practice of development of municipalities, based on tasks and resources coming from the center, was no longer efficient. Given the recent decentralization reform and clearer distribution of responsibilities among different levels of governments in Russia, it was necessary to develop new systems of local development planning and management, systems that make planning a tool for grounded decision-making, aimed at accomplishing territorial development tasks, organized budgeting and improving the quality of community life.

The tasks of territorial development cannot be fully accomplished without a serious situational analysis in the region as a whole as well as in separate municipalities. Current national statistics bodies do not satisfy the needs of municipalities, especially at the settlement level, for information necessary for decision-making. This is true both for sources of local budget income and for the basis of expenditure needs of municipalities. A great deal of this information exists in an unformalized state, held by certain specialists in local administrations, businessmen, budgetary institutions, etc. At the same time, the issue of informational provision of municipal decision-making has another aspect. It is necessary to preserve the balance between the amount of information and details and the effort to collect and process it, especially in rural settlements that often lack the labor potential and financial resources for detailed situational analysis and forecasting of social and economic development of a particular municipality.

Measuring the effectiveness of self-governance

Methods of statistical data collection based on results-oriented management: Settlement locality card
One of the ways to implement the new approach to settlement management in the post-reform local governance climate is to develop and update locality cards. The idea of locality cards is not new, although it reflects a long-standing need of administrative bodies to have trustworthy information on the object of governance. Attempts to create locality cards and passports of municipalities have been until now limited by publishing different variants of collections of statistical information with various sets of indicators on a municipal district level at best. As a rule, these collections are static documents that don’t allow for analysis and visualization of information on a municipality and, moreover, for comparison of its development with other settlements.

A settlement locality card has been developed to make up for the lack of information on municipalities at settlement level. It contains not only statistical indicators, collected by statistics bodies (demography, quality of life of the population, engineering infrastructure, etc.), but also analytical information, data on financial assets and municipal property, and also information on results for a number of services that are the responsibility of settlements according to current legislation. The indicators in each section of the locality card are grouped so that the user can get complete information on social and economic development of a municipality, resource potential and quality of life of the population, as well as on particular economic sectors (culture, education, improvements, etc.)

The locality card was developed to be filled in by municipal personnel. It is meant to increase municipality access to information on results of settlement development. Its aim is to serve as a basis for monitoring and analysis of local self-governance implementation in a rural municipality, and also for decision-making in social and economic development and governance of a rural territory. Most of the information may be collected by settlement administration but the map also contains indicators that may be obtained from budgetary organizations located in the settlement that provide municipal services to population (healthcare, education, culture, etc.) and from statistics bodies of the district. Besides statistical information, the map includes indicators that may be obtained by population surveys (indicators of satisfaction with service quality). A locality card also contains a number of indicators that will help local self-governance bodies do their own evaluations on the quality of municipal financial management. Filling in the map is voluntary.

Over half (55.9%) of rural settlements are characterized as highly subsidized: the share of subsidies and also of income transferred according to classified standards instead of subsidies varies from 50 to 100% of the total amount of local income. Only 6.6% of rural settlements are characterized as low subsidized i.e. the share of subsidies and also of income passed according to classified standards instead of subsidies is less than 5% of the total income. This means that local budgets of rural settlements don’t get enough income from local taxation and non-tax income according to their newly obtained responsibilities.

In 2006 43% of the total number of rural settlements had positive local budgets, 38% had balance of income and expenses, and 19% had negative budget forecasts for 2006. Out of municipal district budgets 37% had negative budget forecasts, 59% – positive, and 4% had forecasts with balanced budgets.

In a developed system of local self-governance, municipal statistics is necessary not only for top-down control, but also for self-control of LSG bodies and for information on the quality and efficiency of work of LSG bodies for citizens. A locality card is a source of information to increase the transparency and accountability of local self-governance bodies and to promote civic engagement in local self-governance. One of the prerequisites is open access to information on the municipality, the budget and results of work of local self-governance bodies. A document containing information about a settlement will be interesting not only for settlement inhabitants but also for commercial organizations operating on its territory or planning to develop their business there. The map may be formatted differently for public dissemination, depending on the topic and the need for information. In any case, a normative legal act should be passed in the settlement stating the list of indicators, format and periodicity of update and dissemination.

The locality cards have been approved in all three pilot regions.

See attached CD for a complete locality card in electronic table format.

«Having more than twenty years of experience as economist in the district administration, I can note that the locality card is very useful for analytical work, as it provides details on a number of indicators and besides, gives a total impression of the district. Analytical indicators of financial management are especially valuable, because we haven’t dealt with these problems in the district before. The indicators of development dynamics of local community are also very important as they have been previously neglected. The locality card will undoubtedly enjoy high demand when forecasting district development for the next few years. I believe it is necessary to continue completing and updating the cards in the future.»

Tatyana Pirozhkova, Economist, Administration of Berezovsky District, Perm Region
Implementation of reforms in local self-governance and intergovernmental relations in Russia, accompanied by the processes of budget decentralization and increase in independence of local self-governance bodies in managing local budget resources, causes numerous problems associated with the need to assess community demand for municipal services and to justify the expenditure obligations of municipalities. Municipal development practice raises new questions that have not been discussed before in the process of distribution of funds. These questions include effectiveness of budget expenses, quality of municipal services, and monitoring of results according to decisions made about municipal social development.

Research carried out by the Center of Fiscal Policy (CFP) was devoted to results of analysis done in rural areas of three constituent entities of the Russian Federation to identify the functional and financial problems of the basic spheres of municipal services for rural populations – education, healthcare and territorial improvement.

Within the research, the current normative basis regulating distribution of responsibilities in each service sphere; funding objectives, amount and structure of spending obligations of rural municipalities; and the legal provisions for funding of institutions in each of the three service spheres from municipal budgets were analyzed. The research included analysis of incomes and expenses of municipal budgets for healthcare, education and territorial improvement, including the dynamics of budget expenses in 2003-2006, external funding, and unsupported or partially supported expense obligations of municipal budgets. Institutional aspects of funding for education, healthcare and territorial improvement, including monitoring and control of budget spending, were examined in detail.

The results of analysis allowed to draw a number of conclusions, proving the need for budget policy based on the characteristics of the present situation with municipal service provision in rural areas and estimation of the possible influence of decisions made on the service quality, estimation of settlement and district budget incomes and adequacy of these incomes to fund budget obligations. For example, problems of territorial improvement in the settlement, which have not been funded for the last 5-10 years, should be in most cases be solved in cooperation with district and regional authorities. In many settlements, improvement activities over the research period were implemented only with civic participation. However, taking the incomes of rural population into account one could hardly expect them to fund expensive activities.

The reform caused a number of difficulties in healthcare, which had once functioned as an integral system. Most of the constituent entities of the RF faced the problem of delegating responsibilities in the sphere of specialized medical assistance from the constituent entity level to municipal level. The problem with transition of nursery hospital beds, orphanages, specialized children’s health centers from municipal level to the level of constituent entities of the RF is still acute. The issues of property transition in order to exercise particular responsibilities have still not been resolved.

Implementation of the national «Healthcare» project is still difficult in rural areas because the administration system of national projects is very complex, and local self-governance bodies are facing serious difficulties with «integrating» their municipalities in the projects.
Budget funding in education goes mainly to cover operational costs and there are practically no target programs of innovative activity and technical equipment of educational establishments. The expenses are highly differentiated for different educational institutions and there is no leveling mechanism. One of the features of rural system of education is the presence of a large number of schools with a small numbers of pupils (less than 100 pupils in total, offering 8 years of education) – about 64% of the total number of schools.

There is no regional mechanism for transition to standard head-funding from the budget, and the municipal budget funds are still distributed traditionally, i.e. «depending on what has been achieved».

Of course, many of the problems listed above can only be solved by introducing changes to federal or regional legislation, but a wide discussion of these problems should be initiated by municipalities, where these problems are an obstacle for development and improvements to the quality of municipal services. The recommendations that were developed based on the results of analysis are intended for municipal administrations. The recommendations are based on the authorities of municipal governance bodies and the opportunities they have to improve municipal services in each sphere.

**Municipal education services funding in rural districts of Penza Region**

The following conclusions were drawn based on the results of analysis of the normative legal basis, institutional aspects of education funding, and also the analysis of correspondence between the obligations according to legislation and the actual budget expenses:

- As there is no approved mechanism of transition to standard head-funding, the municipal budgets are still distributed among schools traditionally. The standard funds do not reach schools, which preserves the situation of school funding «depending on what has been achieved».

- The number of pupils in an average class of a rural school usually varies from 9 to 10, the average number of children in groups of pre-school institutions usually corresponds to the maximum recommended federal standard (20 children) and is high – an average of 19 children for all age groups.

- High differentiation of expenses is noted across educational establishments. There are no mechanisms of leveling and raising efficiency of budget expenses.

- According to 2005 data, the largest share of municipal district expenses for common education is spent on secondary schools – 79% (15% - for kindergartens and 6% – additional education establishments).

- Salaries comprise a large part of the structure of expenses for education – 71-73%.

- The material/technical equipment of educational institutions is out-of-date, the funding is mainly used to cover operational expenses, there are no target programs for innovations and technical equipment.

- A lack of funding for financial provision of educational service in the basic educational programs was identified in the analysis of distribution of educational subvention using the standard of head-funding.

**Secured tax incomes of settlements consist of land tax, single rural tax, property tax and income tax for physical entities. Land tax and property tax of physical entities are fully included in the settlement budget. It also includes 10% of income tax for physical entities and 30% of single rural tax.**

According to the results of analysis, recommendations have been developed to improve management and public spending in the sphere of education:

1. Transition to distribution of educational subvention according to the standard of head-funding, approved each year on the level of constituent entities of the RF.

2. Provide funding to rural schools with small classes according to the standard, including costs not depend on the number of pupils.
3. Certification of school and kindergarten buildings for an in-depth analysis of expenses for public services, further transition to standard funding for public services.

4. In order to estimate efficiency of budget spending for education and activities implemented in this sphere, it is recommended to develop a system of results-oriented indicators, and establish correlation between conditions of education services and end results (number of hours for each subject, teachers' qualifications, availability of necessary materials with the level of school results, number of winners in Olympiads and competitions, attendance, number of pupils who entered higher educational establishments, etc.)

Municipal services funding in territorial improvement in Adygeya Republic

The following conclusions were drawn up according to the results of the analysis of territorial improvement funding in pilot settlements:

- Improvement sector is funded according to the residual principle, budget expenses for territory improvement are minimal (0.1 – 1% of total budget expenses). Budget funds are spent mainly for maintenance of roads and bridges. Since 2006, when territorial improvement funding became the responsibility of settlements, the situation has not improved as settlement budgets did not get enough funds to fulfill their obligations.

- A great deal of activities in territorial improvement sphere is accomplished at the expense of budgets of local companies and communities and with their direct involvement in the activities.

- The activities in territorial improvement are regulated by local self-governance bodies. The normative legal basis for territorial improvement is just being developed and needs to be further improved (a long-term program on territorial improvement, methods of forecast of funding needed, standards of improvement services, criteria of service quality evaluation, etc.).

- Only some of the settlements have companies that work in the sphere of territory improvements, the amounts of available funding only allow to attract physical entities. The criteria of service quality acceptance and evaluation are not included in contractual agreements on territorial improvement works. The only criterion for acceptance and evaluation is timely accomplishment of work.

- The monitoring and controls in the sphere of territorial improvement need to be changed as the information on activities in this sphere and the condition of territorial objects (e.g. village park, pond etc.) have not been systematized (there is no correlation between funding, work amount and results); there are no special reporting forms.

The main recommendation for the improvement of budget management and spending on this sphere of public services is to introduce monitoring of public spending results (the first stage of introduction of service-oriented budgeting).

Further introduction of results monitoring in territorial improvement requires a number of activities that need to be approved by the head of the municipal administration:

1. Inventory taking of improvement objects in the settlement and evaluation of their state.

2. Development of a registry of expense obligations for services in territorial improvement.

3. Development of territorial improvement programs using result indicators.

4. Organization of public hearings on priorities of budget spending for improvements, present an action plan on improvements developed using the new approach.
Overview of budget spending for healthcare of Berezovsky, Osinsky and Okhansky districts in Perm Region

The following conclusions were drawn according to the results of analysis of institutional aspects of healthcare funding:

- The distribution of powers and expense obligations between municipal budgets and budget of the constituent entity of the Russian Federation has not been finished. Hence the funds from local budgets are used ineffectively to fulfill expense obligations of budgets of other levels of government.

- The main problem of municipal healthcare is the persistent inconsistency between budget allocations and the actual need for sector funding.

- The system of funding for municipal healthcare needs to undergo serious reforms initiated by the National project (currently being implemented), in particular transition from two-channel funding system to one-channel system (using the funds of compulsory medical insurance), introduction of new legal and organizational forms of institutions and mechanisms of partial and full fund-keeping of district healthcare service, introduction of full tariffs, development of a market of chargeable medical services.

A model action plan for healthcare system improvement was developed. Some general recommendations on optimizing healthcare in municipal districts based on the results of research into the current situation in healthcare include the following:

1. Carry out analysis of early death rate, which leads to decrease in working potential of the country. Carry out an in-depth informal survey to provide information on the actual situation concerning alcohol abuse, one of the main reasons for early death.

2. Establish a funding standard for Centers of medical and obstetrical aid independent of the number of patients served.

3. The property of Centers of medical and obstetrical aid, nursing care hospitals and district hospitals should become the property of municipal districts (village councils), and registration certificates should be issued for this property.

4. The nursing hospital beds should be funded from the municipal district budget, with medico-social status. In order to provide accessibility to primary medical aid in rural areas where there are no medical institutions, an ambulance station or a center of medical and obstetrical aid should be established.

5. Change the organizational form of day hospital, without changing the layout of beds, i.e. introduce day hospital beds of outpatient type.

6. Discuss the question of creating a reserve fund in Perm Region which could be used for subventions in case the planned number of consultations in outpatient clinics exceeds the planned number.

7. Apply standards of work load inside outpatient clinics with internal and external tariffs. The availability of internal resources creates additional motivation for medical specialists to work better. If the salaries are not simulative and the work load increased, the accessibility of medical assistance to people is decreased and the motivation of medical personnel is low.
8. Take steps to improve the work of ambulance service, develop dispatch telecommunications, and establish cooperation between ambulance and outpatient clinic doctors.

9. Where there is a severe shortage of budget funds, money should not be distracted to fund budget obligations of district and federal budgets and the system of compulsory medical insurance, in particular to support school and pre-school departments, organizational methodology office, centralized accounting office, centralized purchase of bacterial medications, and medications against diabetes and tuberculosis.

10. For the development of chargeable services:
   - Change price regulation from price lists to limited profitability method.
   - Not to limit the contractor’s salary by the Single Tariff System, but transit to contract and bonus system, depending on the amount and quality of services.

11. Introduce changes to the «Procedures of usage of rented municipal property» in order
What Makes for Good Local Governance?

(executive summary)

Tugrul Gurgur, (State Maryland Univercity)
Omar Azfar, (State Maryland Univercity)
Maria Amelina, (WB)

The unique feature of the pilot project «Local Self-Governance and Civic Engagement in Rural Russia» is a very rigorous measurement of the results. We have used the opportunity of the pilot to try to answer some key questions of Russian rural decentralization experiences.

These issues are:

1. What characteristics of the locality and its population are related to various characteristics of good governance, such as openness, accountability, and professionalism, and fiscal autonomy?

2. What characteristics of the locality and rules of self-governance make local governments more responsive to the needs of their constituencies?

3. How does assistance in reform implementation – in this case training and consultations – affect how well both households and local governments adapt to the new decentralization regulations and practices?

There are many objective and subjective factors, little studied to date, that influence the quality of local governance. Here we present some of the results of our baseline study, the first wave of a dynamic, 3-year analysis on the quality of local governance\(^1\). In this analysis, we are measuring the correlates and (in some instances) determinants of good governance, assessing the state of local self-governance in rural areas in the beginning of the reforms and identifying those contextual features (such as features of the locality, historical context, and the characteristics of the population) that are likely to prove significant in the implementation of self-governance reform and, therefore, need to be taken into account by policy makers and practitioners.

The main findings of the first wave of data collection have been summarized in 2 papers presented in the attached CD. The first tackles a specific issue of matching of preferences for particular social and other public services among local government officials (both at the settlement and district levels) and the population of the locality, testing the hypothesis that the closer the government is to the population the better informed it is about the needs and requests of the population it serves. The second addresses the broader issue of the context of the reforms – which characteristics of localities, households, and power holders make local governments appear more open, trustworthy, professional, and accountable to their constituencies.

\(^1\)The second and the third wave of data collection (the second to be carried out at the end of the intervention in April 2007, to test on the immediate effects of the intervention, and the third in the spring 2008 to assess the sustainability of the results) will let us answer the third in the list of central questions of the study above, namely, what kind of effect (if any) did training and consultations have on the quality of local governance in the context of the decentralization reform.
Project Design

To answer these difficult questions in a convincing manner, we designed the project so as to diminish biases and to the extent possible take human discretion out of the selection process. Provinces – the Republic of Adygeya, Perm, and Penza – were selected on the basis of specific criteria. Those included subjective criteria – the interest of provincial governments in having the project on their territory, openness of provincial administrations with data and information about social and economic status of rural municipalities, as well as objective criteria – geographical location, the share of rural population. The districts within the provinces as well as settlements within the districts were selected randomly. The sample was stratified as follows:

■ **T1**: Districts and settlements where municipal officials and the population received both training and consultations in participatory budgeting, setting of social and economic priorities, and the achievement of these priorities (training and capacity building districts);

■ **T2**: Districts and settlements where municipal officials received training and information, but no on-the-ground consultations (training districts);

■ **C**: districts and settlements selected as controls where no project activity was taking place.

To test for the spillover effect **T2** and **C** settlements were selected in the same districts as **T1** settlements as well as in an additional sub-set of districts in the same provinces.

The study covered 6 districts in the Republic of Adygeya, 9 districts in Penza, and 9 districts in Perm. In total, 110 settlements in 24 districts were covered by the intervention and the study. To collect subjective data in each of the settlements, 2 surveys were carried out, a household-level survey and a local government officials survey (for the questionnaires see the CD attached). The sampling frame of the household survey included 17 to 19 randomly selected households per settlement. In the local officials’ survey 2-3 public officials per settlement and 4-5 public officials per district were surveyed. In total, 690 public officials (517 at the settlement level and 173 at the district level) and 2049 household level respondents were surveyed. The surveys, among others, tackled the following issues:

- Trust to fellow villagers and to formal power holders of different levels
- Participation in formal and informal collective action
- Voting patterns
- Trust in media
- Assessment of the quality of social services received
- Priorities in the delivery of public services
- Satisfaction with the responsiveness of local government officials to the needs of the population
- Ability to lodge a complaint, solicit a response to a public needs issue from a local public officer
- Economic and demographic characteristics of the household

Collected objective data included: information about geography (e.g. location, distance from an urban center), demography (e.g. population, gender, age, change in population in the past 5 years), economy (e.g. income per capita, change in income per capita), fiscal issues (total revenue, share of own revenue), budget (e.g. use of public resources per expenditure item), administrative issues (e.g. years of chief local administrators in power, elected/appointed), and history (e.g. share of serf population in 1860, expenditure on health and education during the Stolypin and other 19th century decentralization reforms, share of old believers in the population, share of literate population in the late 19th century). The second and the third waves of data collection will allow us to assess whether the importance of contextual factors increases or decreases over time as decentralization reform is fully introduced, and, importantly, how various forms of assistance provided to local government officials and to the population when adapting to the decentralization reform affect the perceived and objectively measured performance of local government officials.
What do Rural Russians Want?

Matching of Preferences of Local Government Officials and the Population in Service Delivery

According to the premise of local democratic governance, «Elected local officials have an incentive to find out what citizens in their locality want and to provide these goods. Doing so further improves welfare and the satisfaction levels of citizens because they get the goods and services they most want» (Tiebout 1956 and Oates 1972). However, the normative properties of more centralized and devolved governments in relation to satisfaction with local government continue to be debated, especially in the context of transitional economies.

Good governance at national and local levels is today the central concern for both scholars and policy makers working on developing and transitional economies. Good governance involves rulers i) knowing the demands of citizens, and ii) providing these goods in an honest and efficient way. The vast and expanding literature on corruption and government effectiveness gives the second question the attention it deserves. The first question, however, on whether rulers know the demands of the population, which we regard as equally fundamental, remains understudied.

In this paper, we address whether rulers know what citizens want. Specifically, we examine which of 17 publicly provided goods and services citizens most want in rural Russia and how accurately public officials can predict these demands. The study was carried out in several districts and settlements in three contrasting provinces of the Russian Federation: Republic of Adygeya, Penza region and Perm region.

Main findings

Our results are generally supportive of democratization and decentralization in Russia. We find that Russian public officials do in fact have a reasonably accurate knowledge of citizens’ preferences. This is true both for the entire country – the goods that most households say they want are also the goods public officials say people want; and for local variation – officials appear to know what people want in their locality if their area has different preferences from the rest of the sampled localities.
We find that truly local public officials, those at the settlement level, have more accurate knowledge of preferences than district officials. Settlement level officials also agree more closely with the general population about the conditions of 17 public services. One explanation is that the smaller geographical distance between settlement level officials and the majority of citizens creates better information flows between citizens and truly local officials. This might provide an additional argument for devolving service delivery to the settlement level — though the actual decision should also take into account tradeoffs with the possibly lower capacity at the settlement level.

We also find that elected public officials have more accurate knowledge of citizens’ preferences than appointed officials (public official that hold technical positions (here identified as «professionals») are separated in a sub-category, not to affect the appointed/elected dichotomy) and more accurate comprehension of the condition of publicly provided goods. This is what would be predicted by the optimistic theories of democracy which argue that elections provide rulers with incentives to find out what citizens want and to provide these goods. Our results therefore suggest an argument for democratization of local government in Russia.

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(Each observation is a public service category at the aggregate level)
Figure 3
Households’ Preferences and Public Officials’ Perceptions of Households’ Preferences

a) Professionals

b) Appointed POs
Figure 4
Conditions of services: Households' Perceptions vs. Public Officials' Perceptions

(a) Professional PO

(b) Appointed PO

(c) Elected PO

(Each observation is a public service category at the aggregate level)

(Each observation is a public service category at the district level)
We also examine the effect on outcomes in our localities of local government reforms in the 19th and early 20th centuries, which introduced greater autonomy and decentralized more responsibilities for public funding of some services (such as health and basic education). We find that historical factors may play an important role in today’s local institutions. As the share of education and health spending increases in the 1897 budget, the mismatch between the preferences of households and public officials declines.

We find some evidence that local revenue mobilization may have a positive impact on preference matching. Districts that rely on local revenue sources, rather than federal grants, are more likely to have a closer match between what people want and public officials’ opinions of people’s preferences.

We additionally examine whether preference matching corresponds to other well known measures of governance like corruption and satisfaction ratings. We find that localities with higher levels of corruption do in fact have worse preference matching. One possible explanation for this is that some deeper measure of poor governance causes both corruption and poorer preference matching. Another is that corrupt officials may have an incentive to misstate the populations’ preferences to justify a reallocation of resources to sectors where they can most easily extract rents.

Finally, we examine how preference matching affects citizens’ satisfaction with service delivery – perhaps the most direct measure of the quality of public services. We find that, indeed, citizens give poor satisfaction ratings to goods where public officials underestimate citizens’ demands. This indicates that preference matching is in fact an important component of governance, and ultimately underscores the importance of the question studied.
What Determines Good Governance in Rural Russia?

The goal of this paper is to assess whether those traits that have been associated in the literature with good governance empirically relate to the objective characteristics of well governed territories as well as to the perception of citizens on the quality of performance of district and settlement level public officials. The characteristics of governance singled out in the study are:

- **openness** (the proxies used in the paper are trust among citizens and trust to local, regional, and national level government officials, support to association and collective action, effectiveness of channels of information about the needs of the citizens and feedback mechanisms, accountability);

- **professionalism** (proxies used in the paper are competency, meritocracy, motivation and education);

- **fiscal/administrative independence** (proxies used in the paper are local revenue mobilization (per capita and as a share of total public revenue) autonomy of the rule making, level of coordination between regional and district/settlement administrations);

- **tradition of respect to citizens and public service** (proxies used in the paper are the share of the serf population, expenditure on health and education during the end of the 19th century zemstvo reforms, the share of literate population, the share of old believers among the population).

We approach the study of «good governance» by identifying a **virtuous circle of civicness and good governance vs. a vicious circle of disengagement, apathy and corruption**. In this framework, we first address the formal and informal institutions (openness) that are influenced by historic factors (such as the cultural residue of serfdom different religious practices, and the influence of 19th century decentralization reforms on local governments). Then, we link these two dimensions of local social and historic practices to professionalism and fiscal and administrative autonomy.

We use multivariate regression analysis to isolate the effect of various determinants of good governance. We repeat our analysis at both district and the settlement level to understand which level of government is more affected by these underlying patterns and whether the closeness of local governments to the locality is an important factor itself.

Both **formal and informal openness** are important prerequisites of good governance. Length of formal local government at the settlement level bodes well for trust and participation. In localities where the people trust each other and their government officials more (those variables are strongly correlated), the levels of corruption are perceived to be significantly lower and the quality of public service delivery significantly higher.

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Moving to more active forms of social engagement – collective action – we find a continuation of the same pattern i.e. households with higher levels of interpersonal trust and trust to local government officials are more actively engaged in publicly beneficial collective activities (cleaning of streets, renovation of public buildings, public meetings). In turn, households in districts where citizens are actively engaged in collective action perceive their local officials as less corrupt.

Formal participation in local government is also strongly associated with openness and trust. Residents of settlements that have had legally defined formal status as settlements the longest time (settlements in Penza region) trust local government officials most. Direct and indirect political activism – voting in local elections, filling complaints with public officials, following local news, etc. – grows out of high social capital characteristics described above. Interestingly, following local news makes local population more critical of local government officials and diminishes trust in these officials.

**Figure 8**
Mutual trust between people vs. Trust in local government.
Mutual trust between people vs. Corruption in local government’ (households’ perception).

**Figure 9**
Collective action vs. Trust in Other Households.
Collective action vs. Corruption in local governments.
Collective action vs. Service delivery performance of local governments (households’ assessment).
District averages. The indices are normalized using the mean and standard deviation of scores.
The study has also shown that formal governance at the settlement level (in our sample, only Penza region has had uninterrupted formal settlement level governance since the beginning of transition) translates into higher accessibility of local government officials and a higher number of meetings with the population. At the same time, a vital ingredient of local governance proved to be not just the presence of formal local level governance, but the format in which the officials have acquired their power. In Penza, where local government officials have been appointed, not elected, the population perceives the responsiveness of government officials to their needs to be the lowest.

In the same vein, the presence of rules is not in itself sufficient to generate openness, trust, or perceived lowering of corruption; only the enforcement of these rules is reflected in positive shifts in trust and negative shifts in perception of corruption. Those government officials that report high degree of professionalism (competency, meritocracy in promotions, high level of motivation to perform) are more likely to serve in districts and settlements where households perceive local governments to be open and accessible.

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Another significant factor affecting household perception of the quality of local administration is the availability of local public resources. Local governments that mobilize more local resources for public needs (and there is only a weak correlation between the wealth of the district and mobilization of public resources) are perceived to be less corrupt, enjoy higher level of popular participation in public life, and are assessed to be more flexible in solving local problems.

Our unique data base allowed us to measure a rarely measured aspect of public activism and self-governance. Our data for the share of serf population in Penza in 1861 (as opposed to the «tsar’s peasants» – the state peasants who lived under a significantly different legal regime, which excluded corporate punishment and had obrok as a form of taxation instead of barshina, a poorly normalized semi-slave labor on noblemen’s land) showed that those modern districts that had less serf population demonstrate higher degrees of trust to government, higher openness of governance structures, and higher levels of participation in local elections. These preliminary results show that patterns of self-mobilization are embedded in the historical and social context and deserve further analysis.

To assess the relative significance of the above variables in the perception of the corruption levels of local governments as well as the perceived performance of local governments, we performed a multivariate analysis, with perception of corruption at the settlement level as a dependent variable in the first case and performance of settlement governments as perceived by households in the second. Our findings are presented below.
Corruption

Our dependent variable is the corruption index that we have constructed using the questions in the Household survey (see chapter 2 for details).

We have five main sets of regressors:

- **Public Sector Management variables**
  - Openness, accountability, professionalism, resources, corruption

- **Social Capital variables**
  - Trust in other households, support for voluntary organizations, collective action, political participation

- **Historic variables**
  - Serf population, Old Believers population, the Stolypin reforms

- **Decentralization variables**
  - Internal resources, local government expenditure per capita, local revenue mobilization, flexibility, relations with central/regional government

- **Settlement specific variables:**
  - Wealth, wealth inequality, population, urbanization, whether local elections are held or not

The regression is at the settlement level. Due to possible reverse causality problems, we did not include trust in government variable in the regression.

The results are reported in Table 1 below. Since the historic variables, public expenditure and local revenue mobilization variables are not available for all three regions, the first set of results omits these regressors from the model. Later, we run the full model for the districts of Perm, where all variables are used.

We start with settlement characteristics. We have only one significant variable: settlement population. It has a positive coefficient, suggesting that corruption is more prevalent in localities with larger populations.

Then, in column 2 we move to characteristics of the locality. Both collective action and support for voluntary organizations have significant and negative coefficients, suggesting that social mobilization of households support good governance in local governments. Voting turnout and political activism also tend to reduce corruption, indicating that political participation of citizens have a similar positive impact on public officials. Another significant variable is trust in media. The more people trust in media, the lower corruption in the public sector.

In the third column, we replace household characteristics with public sector management variables. Only openness of local governments has significant coefficient with expected sign.

In the next column, we look at internal resources and decentralization variables. The coefficient of internal resources is significant with negative sign. This indicates that local governments that have adequate resources are less likely to be perceived as corrupt by households.

In the fifth column, we include all relevant variables in the model, except historic variables and fiscal decentralization due to data restrictions. Settlement population is still significant with positive coefficient. Among social capital variables, social mobilization variables (support for voluntary organizations and collective action) are also significant with negative signs. Although political activism loses its significance, voter turnout remains significant at 5 percent, suggesting the potential influence of political participation in good governance. Openness and transparency of local governments and internal resources are also significant.

In the last column, we also add historic variables and fiscal decentralization variables to the model. Since these variables are available simultaneously in only Perm region, our sample is restricted to that region. The results are again mostly consistent with the base model. Among new variables, only public expenditure per capita is significant with a negative sign.
Table 1  
Determinants of Corruption in Settlement Governments  
Dependent Variable: Corruption in settlement governments (as perceived by households),

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth</td>
<td>-0.1326 (-1.56)</td>
<td>-0.0990 (-1.39)</td>
<td>-0.0401 (-1.39)</td>
<td>-0.0777 (-0.45)</td>
<td>-0.1234 (-0.95)</td>
<td>-0.1544 (-1.56)</td>
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<tr>
<td>Wealth inequality within the settlement</td>
<td>0.1100 (1.35)</td>
<td>0.0991 (0.92)</td>
<td>0.0477 (0.78)</td>
<td>0.0366 (0.31)</td>
<td>0.0009 (0.03)</td>
<td>0.0393 (0.25)</td>
</tr>
<tr>
<td>Settlement population (log)</td>
<td>0.1404 (2.00)**</td>
<td>0.1692 (1.99)**</td>
<td>0.1027 (2.22)**</td>
<td>0.0904 (1.73)**</td>
<td>0.1718 (2.33)***</td>
<td>0.1402 (1.94)*</td>
</tr>
<tr>
<td>Urbanization</td>
<td>-0.1120 (-1.44)</td>
<td>-0.0733 (-1.05)</td>
<td>0.0470 (0.77)</td>
<td>0.0002 (0.94)</td>
<td>0.0763 (0.33)</td>
<td>0.0441 (0.99)</td>
</tr>
<tr>
<td>Local Elections (Yes)</td>
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<td>-0.0033 (-0.05)</td>
<td>0.0099 (0.13)</td>
<td>0.0412 (0.65)</td>
<td>0.0302 (0.31)</td>
<td></td>
</tr>
<tr>
<td>Trust in other households</td>
<td>-0.1003 (-1.41)</td>
<td></td>
<td></td>
<td>0.0904 (1.53)</td>
<td>0.2261 (2.51)**</td>
<td></td>
</tr>
<tr>
<td>Support for Voluntary Organizations</td>
<td>-0.1890 (-2.03)**</td>
<td></td>
<td></td>
<td>-0.3693 (-3.44)**</td>
<td>-1.043 (-1.81)*</td>
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</tr>
<tr>
<td>Collective action</td>
<td>-0.3566 (-2.89)***</td>
<td></td>
<td></td>
<td>-0.2622 (-2.25)**</td>
<td>0.2422 (2.08)**</td>
<td></td>
</tr>
<tr>
<td>Voting turnout</td>
<td>-0.2292 (-2.40)**</td>
<td></td>
<td></td>
<td>-0.1718 (-2.33)**</td>
<td>-0.2347 (-2.32)**</td>
<td></td>
</tr>
<tr>
<td>Political activism</td>
<td>-0.2003 (-2.41)**</td>
<td></td>
<td></td>
<td>-0.1112 (-1.47)</td>
<td>-0.1327 (-2.22)**</td>
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</tr>
<tr>
<td>Following media and knowledge of local politics</td>
<td>-0.0873 (-0.94)</td>
<td></td>
<td></td>
<td>-0.0771 (-0.65)</td>
<td>-0.1103 (-1.07)</td>
<td></td>
</tr>
<tr>
<td>Trust in media</td>
<td>-0.1929 (-2.32)**</td>
<td></td>
<td></td>
<td>-0.1785 (-1.53)</td>
<td>0.2951 (2.14)**</td>
<td></td>
</tr>
<tr>
<td>Openness of local governments</td>
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<td>-0.2102 (-2.12)**</td>
<td></td>
<td>-0.2001 (-2.32)**</td>
<td>-0.2330 (-2.19)**</td>
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<tr>
<td>Accountability procedures in local governments</td>
<td>0.0751 (1.15)</td>
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<td></td>
<td>0.0011 (0.10)</td>
<td>0.0770 (0.97)</td>
<td></td>
</tr>
<tr>
<td>Accountability in practice</td>
<td></td>
<td>-0.1326 (-1.56)</td>
<td></td>
<td>-0.0692 (-1.30)</td>
<td>-0.0990 (-1.39)</td>
<td></td>
</tr>
<tr>
<td>Professionalism of local governments</td>
<td>0.0992 (1.16)</td>
<td></td>
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<td>0.0929 (1.03)</td>
<td>0.0112 (0.17)</td>
<td></td>
</tr>
<tr>
<td>Resources of local governments</td>
<td></td>
<td>-0.2502 (-2.42)**</td>
<td></td>
<td>-0.1821 (-2.30)**</td>
<td>-0.2178 (-2.24)**</td>
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<tr>
<td>Coordination between local and regional/federal government</td>
<td></td>
<td>0.0654 (0.26)</td>
<td></td>
<td>0.0932 (1.53)</td>
<td>0.0593 (0.41)</td>
<td></td>
</tr>
<tr>
<td>Autonomy of local governments in decision making</td>
<td></td>
<td>0.0284 (0.11)</td>
<td></td>
<td>0.0024 (0.04)</td>
<td>0.0218 (0.36)</td>
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</tr>
<tr>
<td>Serf population, 1897</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0244 (0.80)</td>
<td></td>
</tr>
<tr>
<td>Old Believer population, 1897</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.1102 (-1.02)</td>
<td></td>
</tr>
<tr>
<td>Health and education spending as a share of state budget, 1897</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.0033 (-0.05)</td>
<td></td>
</tr>
<tr>
<td>Public expenditure per capita (log)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.2302 (-2.31)**</td>
<td></td>
</tr>
<tr>
<td>Local revenue mobilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0411 (0.41)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>110</td>
<td>110</td>
<td>110.0</td>
<td>110</td>
<td>110</td>
<td>44</td>
</tr>
<tr>
<td>Rsq</td>
<td>0.1102</td>
<td>0.3287</td>
<td>0.1652</td>
<td>0.1482</td>
<td>0.3781</td>
<td>0.4627</td>
</tr>
</tbody>
</table>

Sample: Settlements in all regions  
Random Effects model
Performance of Local Governments

Our dependent variable is the local government’s performance as perceived by households. We also looked at the perceived change in the performance as well.

- **Public Sector Management variables**
  - Openness, accountability, professionalism, resources, corruption

- **Social Capital variables**
  - Trust in government, trust in other households, support for voluntary organizations, collective action, political participation

- **Historic variables**
  - Serf population, Old Believers population, the zemstvo and Stolypin reforms

- **Decentralization variables**
  - Internal resources, local government expenditure per capita, local revenue mobilization, flexibility, relations with central/regional government

- **Settlement specific variables:**
  - Wealth, wealth inequality, population, urbanization, whether local elections are held or not

The regression is at the settlement level.

The results are reported in Table 2 below. Since the historic variables, public expenditure and local revenue mobilization variables are not available for all three regions, the first set of results omits these regressors from the model. Later, we run the full model for the districts of Perm, where all variables are used.

In the first column we look at the settlement characteristics. Households in wealthier settlements are more likely to be satisfied with local governments than those in poor settlements. Wealth inequality, on the other hand, does not have a significant effect. Interestingly, settlements that have local elections are less satisfied with the performance of municipal administrations. It is possible that households in these localities tend to be more critical and judgmental in their assessment.

Moving to characteristics of households in the next column, we observe that performance of local governments improves when there is mutual trust among households living in the same locality. Mutual trust may be a critical factor that reduces the transaction costs in the handling of local goods and services. Both collective action and support voluntary organizations also have significant coefficients with positive signs. Although voter turnout is not significant, political activism turns out to have strong influence on local governments’ performance.

In the third column, we look at public sector management variables. Among public sector management variables, openness of local governments and corruption variables are significant with expected signs. Local governments that are perceived by households as more open, transparent, and accessible also receive better ratings from households in service delivery performance. Corruption, on the other hand, is a significant deterrent.

In column (4) we add internal resources and decentralization variables in place of public sector management variables. All three variables are significant with expected signs. The more resources a local government has, the more likely that it receives good rating from households. Better relations with central/regional governments and more flexibility in personnel management, budgeting, and service provision also improves the performance of local governments.

In the fifth column, we include all relevant variables in the model, except historic and fiscal decentralization variables due to data restrictions. Existence of local elections still has a negative coefficient, although it is significant only at 10 percent. Trust in other households, openness/transparency of local governments and corruption are the most significant variables with expected signs. Collective action loses its significance, but support for voluntary organizations is still significant with positive sign. Among resource-related variables, internal resources and adjustability remain to be significant.

In the sixth column, we add the historic variables and decentralization variables. However, neither of them turns out to be significant in the model.
### Table 2

**Determinants of Performance of Settlement Governments**  
Dependent Variable: Performance of settlement governments (as perceived by households)

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth</td>
<td>0.2448 (2.51)**</td>
<td>0.2213 (2.13)**</td>
<td>0.1509 (1.97)**</td>
<td>0.1935 (1.87)**</td>
<td>0.1344 (1.58)</td>
<td>0.0701 (0.29)</td>
</tr>
<tr>
<td>Wealth inequality within the settlement</td>
<td>-0.1369 (-1.18)</td>
<td>-0.0397 (-1.12)</td>
<td>-0.0494 (-0.49)</td>
<td>0.0341 (0.22)</td>
<td>-0.2294 (-0.50)</td>
<td>0.0048 (0.55)</td>
</tr>
<tr>
<td>Settlement population (log)</td>
<td>-0.0399 (-0.41)</td>
<td>0.1355 (1.16)</td>
<td>0.0967 (0.90)</td>
<td>0.0551 (0.60)</td>
<td>0.0134 (0.89)</td>
<td>0.0879 (0.27)</td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.0129 (0.44)</td>
<td>-0.0032 (-0.09)</td>
<td>0.0282 (0.61)</td>
<td>0.0093 (0.14)</td>
<td>0.0111 (0.13)</td>
<td>0.0111 (0.13)</td>
</tr>
<tr>
<td>Local Elections (Yes)</td>
<td>-0.2685 (-2.49)**</td>
<td>-0.2305 (-2.11)**</td>
<td>-0.2685 (-2.33)**</td>
<td>-0.2344 (-1.98)**</td>
<td>-0.1740 (-1.93)*</td>
<td>-0.1985 (-1.99)**</td>
</tr>
<tr>
<td>Trust in other households</td>
<td>0.2022 (2.30)***</td>
<td>0.2198 (2.89)***</td>
<td>0.2535 (2.71)***</td>
<td>-0.0804 (0.86)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Support for Voluntary Organizations</td>
<td>0.1980 (2.24)**</td>
<td>0.1551 (1.97)**</td>
<td>0.0924 (0.89)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Collective action</td>
<td>0.1092 (1.58)</td>
<td>0.1389 (1.58)</td>
<td>0.1753 (1.52)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Voting turnout</td>
<td>0.0701 (0.29)</td>
<td>0.0937 (1.52)</td>
<td>0.0724 (0.83)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Political activism</td>
<td>0.2189 (2.68)**</td>
<td>0.1918 (2.21)**</td>
<td>0.2261 (2.78)***</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Following media and knowledge of local politics</td>
<td>0.0091 (0.33)</td>
<td>0.0212 (0.21)</td>
<td>0.0212 (0.21)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Trust in media</td>
<td>0.0965 (0.95)</td>
<td>0.0424 (0.62)</td>
<td>0.1240 (0.74)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Corruption in local government</td>
<td>-0.2439 (-2.44)**</td>
<td>-0.2558 (-2.57)**</td>
<td>-0.1902 (-2.30)**</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Openness of local governments</td>
<td>0.3317 (2.99)***</td>
<td>0.3000 (2.96)***</td>
<td>0.3104 (2.67)***</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Accountability procedures in local governments</td>
<td>0.0545 (0.40)</td>
<td>0.0511 (0.21)</td>
<td>0.0831 (0.81)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Accountability in practice</td>
<td>-0.1326 (-1.16)</td>
<td>-0.0633 (-0.63)</td>
<td>-0.0133 (-0.10)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Professionalism of local governments</td>
<td>-0.0047 (-0.02)</td>
<td>0.0009 (0.01)</td>
<td>0.0009 (0.01)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Resources of local governments</td>
<td>0.1716 (2.00)**</td>
<td>0.2122 (2.53)***</td>
<td>0.2387 (2.37)**</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Coordination between local and regional/federal government</td>
<td>0.2761 (2.44)***</td>
<td>0.1009 (1.55)</td>
<td>0.0320 (0.41)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Autonomy of local governments in decision making</td>
<td>0.1904 (2.12)**</td>
<td>0.1606 (1.80)*</td>
<td>0.1260 (1.53)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Serf population, 1897</td>
<td>0.0409 (0.38)</td>
<td>0.1101 (1.41)</td>
<td>-0.1059 (-1.04)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Old Believer population, 1897</td>
<td>0.0409 (0.38)</td>
<td>0.1101 (1.41)</td>
<td>-0.1059 (-1.04)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Health and education spending as a share of state budget, 1897</td>
<td>0.0409 (0.38)</td>
<td>0.1101 (1.41)</td>
<td>-0.1059 (-1.04)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Public expenditure per capita (log)</td>
<td>0.0971 (0.89)</td>
<td>0.0971 (0.89)</td>
<td>0.0971 (0.89)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>Local revenue mobilization</td>
<td>0.0545 (0.40)</td>
<td>0.0545 (0.40)</td>
<td>0.0545 (0.40)</td>
<td>0.0282 (0.15)</td>
<td>0.0184 (0.10)</td>
<td>0.0184 (0.10)</td>
</tr>
<tr>
<td>N</td>
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<td>110</td>
<td>110</td>
<td>110</td>
<td>110</td>
<td>44</td>
</tr>
<tr>
<td>R²</td>
<td>0.1102</td>
<td>0.3287</td>
<td>0.1652</td>
<td>0.1482</td>
<td>0.3781</td>
<td>0.4627</td>
</tr>
</tbody>
</table>

Sample: Settlements in all regions, Random Effects model
Conclusion

Drawing on an in-depth governance micro-survey within Russia, we addressed in detail the question of the relative importance of the various determinants of governance. We found that local governments that come to power through direct elections are more likely to attain better information about the needs of their constituencies. At the same time, citizens in such localities tend to be more critical about the working of local governments. Openness of societies (as measured by collective action, support for voluntary organizations, and trust in other households) is a critical determinant that facilitates client oriented practices in the public sector. Such communities are also less likely to face corruption and give higher ratings on local governments. We also found some evidence that political participation of households (either through voting or active participation in public meetings, etc.) is crucial to reduce corruption and motivate public officials to improve the delivery of public services.

Although the existence of formal accountability procedures and mechanisms does not create an environment for good governance, openness, transparency, and client oriented practices do. We did not find any strong link between professionalism and merit based practices in local governments and good governance. It is likely that the measures we used to quantify professionalism were too unreliable to reach a conclusion because they were based on public officials’ self assessment. We also discovered that the relationship between good governance and resource related variables (such as internal resources, administrative decentralization and coordination with federal/regional governments) is quite complex. Although the adequacy of internal resources helps to reduce corruption and increase satisfaction of households, we did not find any evidence that its mere existence is sufficient to align policies with households’ priorities. Similarly, autonomy and flexibility in personnel management, budgeting, and service provision raises satisfaction ratings, but does not help in preference matching.

When it comes to the historical roots of good governance, we unearthed some evidence that reforms in the 19th century and early 1900s (which introduced greater autonomy and transferred responsibilities for public funding of some services to the local level) lead to better matches between households’ priorities and public officials’ perceptions of these priorities. However, the legacy of serfdom in some regions of rural Russia tends to undermine this process.

Last, but not least, we found that people in more open and democratic regions tend to be more skeptical about the actions of local government, which could mean that they are more critical of public officials. Although they tend to give low ratings on performance of their elected officials, when we move from these subjective measures of good governance to more formal objective ones (such as the extent of preference matching between households and public officials), we indeed find that local governments in such regions are more client-oriented and avoid top-down practices.
Each culture is unique and includes a unique value system passed from one generation to another. The specific features of historical development of Russia have led to failures in the succession mechanism; the result of this is that many people, including a lot of rural communities, do not know exactly who they are, where they belong, what facts they should regret in their history and what they should be proud of. Under the present conditions of a rapidly changing political and economic context, there is a desire for self-identification at individual, village, town, or regional or national levels. The aspiration to acquire a unique image is expressed at all levels of public life. This image has a lot of functions, acts as a means of communication (a visiting card) and as an address (cultural and territorial self-identification).

Unfortunately, revival of cultural values today is often impossible without special long-term cultural projects, developed according to the specific features of economic development of a certain territory and/or group of people who live there. According to World Bank specialists, the cumulative effect of such projects implemented at the same time and/or within the so called development projects exceeds the effect of any of these projects implemented separately.

In this context, we implemented a pilot cultural project for rural youth.

Project idea: to ask children and teenagers to devise symbols, e.g. flags and emblems, that would express their own attitude to their community, and create them with artistic means. These could be their own family symbols, emblems and flags of a settlement, a district, household, or even a group of people. Each audience was offered its own theme that would be the most familiar to them, as the individual system of values – self-identification may be recreated only in a system of clear and common coordinates.

Are people interested in self-governance?

Youth and villages: children draw their own settlement and flags

Anton Olshvang, Artist

Flags and emblems painted by master class participants in pilot Akhansky rayon.
Principles of Project Implementation

- Pilot territories should be selected according to specially developed selection criteria,
- Local head of the project should be familiar to children, and carry authority with them,
- The project should be implemented on the base of a local museum (school, industrial, regional), and a regional historian should be head of the project, if he/she meets the requirements listed above,
- A school club or optional class may be the platform of the project for children of younger and middle age,
- Older children may be united in a dancing group or club with the help of DJs and VJs (video artists).

The activity started with master-classes for children and teenagers in pilot settlements of Okhansky district in Perm Region (Andreyevka, Belyaevka, Ostrozhka, plus the district center town of Okhansk). Master-classes were held in the municipal regional museum of Okhansk and the regional museum of Andreyevka settlement. The children were very keen on the project idea and took part in it with great pleasure.

The children’s works were presented on an exhibition in their home district and the best ones were exhibited in the media-club of State Tretyakov Art Gallery in Krymsky Val, Moscow, in June 2006. According to feedback from visitors and participants of the project, the works of the young artists uncovered their inner world and showed the richness of aspects in the children’s relationships and attitudes with their family and social-historical environment. The children’s attitude towards creating flags and emblems demonstrated their deep interest in the history of their home villages and concern for its future destiny.

On behalf of the small project we would like to thank Perm Foundation for Support of Social Initiatives «Assistance» («Sodeistviye») and «Alendvik» company for their interest in the project and assistance in its implementation.
Local Community: between the state and local self-governance

Alexander Nikulin, Candidate of ES (Intercenter),
Tamara Kuznetsova, PhD (Institute of Economics, Russian Academy of Sciences)

In March-April 2006, the Interdisciplinary Academic Center of Social Sciences (Intercenter) carried out a sociological survey on the introduction of a new law 131 – «On General Principles of Local Self-Governance in the Russian Federation» among representatives of rural municipal administrations and local population in Adygeya Republic, Penza and Perm regions. A total of 67 interviews were conducted – over 20 in each of the three project pilot regions.

All respondents were asked to express their opinion on the questions connected with the history of their families and households, the current social and economic situation of their settlement, district and region. Special attention was paid to the respondents’ knowledge and opinions about local self-governance (LSG) and the new law no. 131.

The research team consisted of: A.M. Nikulin, Candidate of Economic Sciences (head of the project), T.E. Kuznetsova, PhD, D.M. Rogozin, Candidate of Social Sciences, and A.D. Yashina, Master of Sociology.

The authors have summarized the opinions and attitudes of rural inhabitants and thus present the context in which the World Bank project «Local Self-Governance and Civic Engagement in Rural Russia» was implemented. The detailed material on the CD contains several extensive quotes that reflect, according to the authors, interesting objective conclusions and facts provided by local inhabitants on their everyday interaction with state and local self-governance bodies.

The rural inhabitants’ opinions and comments to them are grouped according to the following topics:

- Short characteristics of the current situation in the regions,
- Estimation of the situation connected with enforcement of law no. 131,
- Description of the state of households,
- Situation in healthcare, education, culture spheres of social infrastructure providing municipal services to population.

Despite some pessimistic remarks, the research has shown that there are obvious prerequisites for the development of local self-governance in rural areas of all surveyed regions. Research has discovered spontaneous processes of self-development and self-organization of the population. It should be noted that the interaction between local authorities and local communities necessary for sustainable development of LSG is still underdeveloped.
In practically all regions, authors saw situations when the funds of rural municipalities went to districts and the district funds were transferred to the region. It is necessary to make an inventory of land and property in the municipality to provide fair distribution of resources and optimize intergovernmental relations, but in fact this is hardly done everywhere. There should be an opportunity to revise the borders of municipalities, as the territories between settlements mentioned in 131 may be used as additional resources by rural municipalities in particular.

The research concluded that regional and local economic, social and cultural features are of great importance for successful local implementation of the federal reform. If they are not known or neglected in applying the self-governance reform locally, this could make the effect of state investments, even if they are substantial enough, considerably weaker. The flexible definition policy, under which reforms are adjusted to localities, will provide important feedback and timely corrections in the reform process. The reform should result in more opportunities for communities to make free decisions on their own development. Let’s note here that such self-development often depends on the local leaders and elite – people who are respected and carry authority with the community. They are the interpreters of reform and promote them in rural life; they set examples and in fact teach the principles of local self-governance, civic engagement in the life of their village or region to the local community. As a rule, such leaders in rural areas are heads of local, federal, or private enterprises and also specialists from the budget sphere (above all, education and healthcare). It is important both for the leaders and for the population not only to declare but also to implement the opportunities of local self-governance. As one of the respondents said, «above all people want to know whether their life will be better or not».

Civic engagement mechanisms lay the foundation for orientation on local specific features, strengthening the sprouts of self-development, and in the end – for implementing the opportunities for effective local self-governance in rural areas provided by the new legislation.

«The public organization «Narovchat local association» has been active in Narovchat settlement of Penza Region since 1999. This organization unites rural citizens who want to help their fellow villagers to deal with social and economic issues, and support the development of local culture. The intelligence, knowledge and experience of the members of Association are major and invaluable resources for the rural administration.» Extract from a presentation by the Head of Narovchat settlement Ivan Bormotov at the Interregional Scientific and Practical Conference «Development of Local Democracy and Self-Governance in the constituent entities of the Russian Federation»
Prerequisites and Limitations for Self-Organization of Rural Communities

Tatyana Nefedova, PhD, Institute of Geography, Russia Academy of Sciences

In Soviet times, rural enterprises used to be the main structural unit for rural areas. The crisis of rural sectors of the economy made the situation difficult for rural inhabitants. Economic self-organization of population in crisis conditions of enterprises does not increase linearly. Self-organization is oppressed in extreme situations: both when an enterprise is powerful and still determines the life in a certain area and when it is needed. The latter case causes the most complex situation, as the population still counts on the enterprise’s assistance, but it cannot provide anything. In this case, individual farming grows and also more people are involved in non-rural activities. Self-employment has become one of the solutions to the problem of rural unemployment, but it offers prospects only if a household is not balancing at the level of minimum self-repayment but provides incomes. Growth of self-organization in rural communities has definite limits: there is no direct correlation between the state of local economy and the level of self-organization.

Limitations of self-organization are caused first of all by significant depopulation of rural areas as a result not only of demographic disasters of the XX century but also of the inescapable demographic transition and rapid urbanization. Many districts, especially in non-Chernozem zones, have lost over 2/3 of the rural population over the last 50 years. As the most active citizens went to cities, there has been a sort of negative selection for decades. Where the loss of population was too high, peculiar rural communities formed, where most of the population are aged people and the rest are unemployed heavy drinkers, who are already incapable of working. Social degradation is followed by economic dilapidation. In Soviet times, enterprises in under populated areas survived due to large amounts of subsidies. Currently they have fallen into total decay. This environment scares off young people, and they won’t go back there for new jobs and high salaries. This environment is not suitable for entrepreneurs either: there are no reliable employees. The situation is a little better in settlements that have successful rural enterprises, which provide jobs for people and support their private households, in settlements that have preserved traditional crafts, in national settlements.

According to national statistics, in 2004 17.6% of population in Russia lived beyond the poverty line. The poor population is distributed proportionally between rural and urban groups of the population, but the poorest people live in small towns and rural areas.

In addition, even if there is no social degradation, the psychology of rural inhabitants has undergone great changes in the Soviet times. The passive adaptive behavior prevails among the population (this is a characteristic feature of almost all post-Soviet countries). The limited ambitions and distrust in authorities that can be opposed only by silent sabotage of their decisions still define the behavior of most rural inhabitants. They have not overcome the wage-earners’ psychology either: once there is no contracted work, there is no work at all, and people feel abandoned by the state, even if their own households are profitable. It is natural that most of the farmers were previously heads and specialists of rural enterprises. And all this is taking place despite the fact that in most districts, except the suburbia of big cities, the population has almost unlimited opportunities to use the land.
The reaction of the social environment to the growth of economic activity and self-organization of rural community depends on a number of factors. First of all, it depends on the size and administrative status of the settlement. It might seem that the larger the settlement, the more difficult self-organization. However, in small villages (where villagers are much more dependent on each other), the community’s opposition to any one person or group of people being active is great. The geographic location also plays a role (the population tends to become more conservative going from North to South and from suburban to more remote areas), as does the accessibility of region to inflow of settlers (e.g. in Southern regions of Povolzhye, where immigrants are accepted better than in Chernozem Regions, there is more space for individual and public initiatives).

As large enterprises began to lose their organizational functions, elements of local self-governance were formed spontaneously in rural areas. However, our society (not only in rural areas, but also in towns) is not ready for bottom up self-organization. It still needs an intermediary between people and state, an official «head» who «takes care of» the population. The part of such intermediary was spontaneously performed by customary local level administrative units – village councils that took up some of the functions in the sphere of community organization. In some districts, where large enterprises are in a state of deep crisis, singular administrative communities have formed bearing some resemblance to district community self-governance. A lot can be said on the destiny of rural communities in Russia. But it is much more important to understand that there is no return to traditional municipal communality, because there is no rural community as such, especially in ethnic Russian districts.

Rural administrations that have recently acquired more economic and other functions could not fully replace collective farms: they have less economic resources and organizational experience. Ordinary community meetings («skhody»: an old Russian word) are usually initiated by the same rural administrations, and rarely perform organizational functions, e.g. on territorial improvement. For that reason, the population is afraid to face the state government on its own and is still committed to the usual collective farms, supposed to protect them even if they don’t pay cash wages. Thus, the schemes proposed by authorities in the new legislation to expand bottom self-organization of community are not supported by a sustainable foundation.

In order to provide for more active development of local self-governance and civic society, it is necessary to form a middle class, which has always been the weak point in Russian culture. In today’s rural settlements, this class consists of farmers (the most successful ones take up social functions as well), households with commodity economy, rural intelligentsia, and sometimes – summer residents (dacha owners).

But it is not only about people. The changes in management of budget resources are faced with a lot of local problems. In conditions of a shadow rural economy, when both enterprises and individual farmers actively apply tax-reduction schemes and there is no budget income besides the scanty land tax and a couple of sales outlets, the problem of municipal incomes and their ability to perform their financial obligations is still unsolved. In this objectively difficult situation, the project «Local Self-Governance and Civic Engagement in Rural Russia» is of great current importance.

The analysis of normative legal bases of different levels allowed the project consultants to determine the strengths and weaknesses of current distribution of responsibilities and funds in the constituent entities of the RF, districts and settlements and their interrelations: those that actually exist and those proposed in the law on local self-governance. An attempt was made to define the scope of problems that can be dealt with at municipal level and provide specific recommendations on the subject based on the general situation with correlation of financial and administrative function at different levels of government.
The monitoring of funding of daily municipal services – education, healthcare and territorial improvement – is also very important. Education is significant because of rural depopulation and the prevalence of schools with small numbers of pupils. The prospects of head-funding may result in 2/3 of rural schools being closed, which will contribute to young people going away to towns. The importance of research into healthcare is caused by the large numbers of aged people, high level of alcohol abuse among rural inhabitants, and low health indicators of rural inhabitants in general. The infant mortality rate in rural areas is 14% higher than in towns, and the mortality rate for children under 5 years old is 25% higher. These problems require attention and need funding that exceeds the local budget limits. And laborious and expensive territorial improvement was often impossible for the former collective farms and even districts. Local leaders often had to «squeeze» funding for territorial improvement from the central authorities even in Soviet times. And now the roads are in terrible conditions, especially inside the settlements (the roads between settlements were improved in a number of regions in the 1990s thanks to Road Foundations).

Increase in civic social activity by implementing a model of Local Community Foundation successfully used in other countries has become an important direction of project activity. The Foundations accumulate local resources as well as external ones (charity donations of international organizations, companies, individuals, and sometimes regional budgets) and distribute them on a competitive basis. The Foundations are active in 20 regions of Russia and are ready to partially fund the social needs of communities. The project also undertook a program of trainings for Rural Municipal Consultants, who assist in solving the problems of self-governance in the rural settlements. Their task is to define and train the most active and capable representatives of local communities to take part in local development. It is obvious that qualified consulting assistance would be useful for rural inhabitants not only in the pilot territories of the project.

Research, accomplished during the project, has shown how difficult it is for rural inhabitants to adapt to economic and social changes in Russia. It has also indicated a certain misbalance of priorities between local authorities and communities. Local community members are not yet interested in institutional changes (many of them have never heard about the new law on local self-governance) and they are often absolutely indifferent to general discussions on municipal budgets and their incomes. However, they are very much concerned about the problems of road maintenance, public transport, water supply, communal payments for electricity, youth employment, preserving schools, kindergartens, sports grounds, etc. But the project let the people understand the close interrelation between local problem-solving and their civic activity, participatory budgeting and setting priorities for future development of their home settlements.
To increase the effectiveness of local self-governance, the pilot project recommends the following integrated measures to be introduced for maximum impact:

<table>
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<tr>
<th>Issue</th>
<th>Current State</th>
<th>Suggested Mitigation mechanisms</th>
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<tr>
<td>Strategic planning for socio-economic territorial development in rural areas/defining development priorities</td>
<td>Lack of federal/regional/district territorial development strategies for rural areas</td>
<td>Development of socio-economic territorial development strategies for rural areas, based on bottom-up principles, regularly updated taking into account citizens’ preferences and voice. Working groups report on results progress; results clearly identified and communicated to community. Regional/district administrations should invite experts to increase the effectiveness of planning/solving issues considered by the local community as priorities. The recommendations of invited experts should be accessible to the community and be discussed openly. Results-oriented management practices used.</td>
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<td>Municipal finance management/effective and efficient budget spending, transparent budget</td>
<td>Fiscal sources of revenue are not commensurate with the mandates of rural settlements</td>
<td>Transition to budget spending based on principles of results-oriented management. Creation of a register of spending commitments of rural settlements. Creation of system to monitor the effectiveness of public spending. Attracting budget and off-budget financial resources. A) creation of community foundations/social funds, regional associations. B) creation of favorable conditions for non-agricultural economic development in villages, diversification of rural economy. C) development of planning skills to attract budget and off-budget financial resources and to achieve local priority development goals. Regional/district administrations should encourage local initiatives focusing on social and economic issues and allow off-budget resources to be used by creating grant programs/social funds as well as other windows supporting local initiatives with co-financing.</td>
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<td>Quality of municipal services</td>
<td>No systematic municipal statistics</td>
<td>Development and implementation of service improvement action plans (SIAPs) at settlement level. SIAPs annually compiled detail the strategic development goals, use participatory approaches with expert support, and are periodically discussed and revised if necessary. Public monitoring of SIAPs carried out according to pre-set parameters.</td>
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<td>Project recommendations to the federal/regional/local governance</td>
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<tr>
<td><strong>Monitoring of socio-economic development of rural areas/municipal statistics</strong></td>
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<tr>
<td>- No systematic municipal statistics</td>
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<td>- Systematic changes in methods and goals of collecting municipal statistics: new forms of data collection, analysis, use and dissemination not just for government control but also to inform citizens about the work of local administration in providing services and using municipal resources, and to compare results across settlements and districts. Municipal statistics publicly available; More comprehensive record in statistical data of municipal property: clarification of property delimitations between settlements, districts, and regions/inventory of municipal property</td>
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<td><strong>Training of municipal personnel</strong></td>
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<td>- More than 10,000 new rural settlement municipalities created by recent legislation</td>
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<td>- Deficit of professional personnel in villages</td>
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<td>- Weak civil society</td>
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<td>- Training of rural municipal consultants/creation of regional consultation services</td>
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<td>- Development of system-defined educational programs, methodological materials/increasing qualifications of municipal staff</td>
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<td>- Creation of information centers in villages, with data bases of experts and firms offering formal assistance (administrative, legal etc.) as well as help on providing services/diversification of local economy (e.g. education, healthcare, rural tourism, creation of small enterprises in sectors where the most favorable conditions for development exist in a given territory). Regional/district administrations are recommended to provide support and co-financing in order to establish such centers.</td>
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<td>- Training of young people, introduction into school curriculums of courses on local governance</td>
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<td>- Widening inter-municipal cooperation, for example to attract qualified personnel</td>
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<td><strong>Isolation of Russian villages</strong></td>
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<td>- Geographical isolation and poor communication infrastructure (e.g. lack of phone, internet) mean that villages lack information about modern patterns of governance and decentralization effectively practiced in some parts of Russia and abroad. Progress hindered by artificially closed nature of rural communities.</td>
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<td>- Training on modern communication technology for information exchange and learning, creation of interactive websites about settlements</td>
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<td>- Wide dissemination of best practices via media and other sources</td>
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<td>- Participation in international associations and conferences on rural development issues (e.g. rural tourism, rural youth etc.) Regional/district administrations are recommended to encourage and co-finance exchanges and study tours on governance practices and to disseminate results of these activities and ways to adopt these experiences to the Russian context in home territories via conferences/discussions etc.</td>
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<td><strong>Legal and regulatory framework of local self-governance/legal groundwork for local self-governance</strong></td>
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<tr>
<td>- Deficit of legal groundwork for rural settlement municipalities</td>
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<td>- No accessible legal consultations for many rural residents</td>
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<td>- Support to rural settlements via a system of legal consultations at district and regional levels</td>
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<td>- Dissemination of methodological recommendations on legal and regulatory frameworks in rural settlements in accordance with recent Federal legislation</td>
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<td>- Providing local government bodies with access to legal data bases</td>
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<td>- Development of legal procedures for the co-ordination of positions, and resolution of disputes and discrepancies between state authorities and local self-government bodies</td>
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<td>- Regional/district administrations are recommended to encourage and co-finance (via for example assistance with transport) pro bono work of qualified legal advisors, especially counselors/lawyers (the most needed consultations are on questions such as registration of property and benefits to pensioners).</td>
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</table>
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- Legal support for pilot communities - The Centre for Legal Support for Local Governance (Moscow)
- Public services monitoring - The Centre for Fiscal Policy (Moscow)
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Annexes: Project territories
CAF (Charities Aid Foundation) – one of the largest international charitable foundations, established in the United Kingdom in 1924, has international offices in 7 regions of the world. CAF's Patron is HRH The Prince Philip, Duke of Edinburgh KG KT.

The Russian representative office – CAF Russia – has been successfully working in Moscow since 1993. Annually CAF Russia implements about forty programs in collaboration with the largest Russian and International companies and foundations directing over 5 mln dollars towards social projects.

Among charitable programs in the realization of which CAF takes part are: Vladimir Potanin National Scholarship Program, Life Line Program providing assistance to seriously ill children, New Day grant competition, etc.

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