

## **Bottom-up Community Based Development as an Integral Part of the World Bank Strategy in Russia**

This note stresses the need for a better understanding and a more proactive involvement in assisting the GOR with the design and implementation of a social development agenda. Possible directions for expanding the Bank's role in bottom-up community development work in Russia are explored. This note has been prepared in collaboration between SD and HD.

The suggested strategy for the increased emphasis on the bottom up community development has 3 components:

1. Increasing knowledge about interactions between formal and informal institutions at the local level.
2. Upgrading community based components in existing and planned Bank projects.
3. Proposals for stand-alone community development projects, including social funds.

### ***Rationale for an Increased Emphasis on Community Development***

The current state of Russian post-socialist transition is characterized by two conflicting trends. On the one hand, as stated in the CAS progress report, "Russia's macro-economic performance during 1999, and thus far in 2000, has been surprisingly good and far exceeded expectations".<sup>1</sup> Consistent monetary and fiscal policies in combination with favorable terms of trade and rising prices of natural resources have led to high economic growth, low inflation, and a balanced national budget. On the other hand, the main social indicators continue to deteriorate at an alarming rate. In 1999 930,000 more Russians died than were born, the steepest decline in population since World War II.<sup>2</sup> A report by the State Statistics Committee attributes this demographic collapse to "poor public health, widespread social disorder and drunkenness (which) have caused a sharp drop in the life

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<sup>1</sup>Progress Report on the Country Assistance Strategy of the World Bank Group for the Russian Federation, draft, October 12, 2000, p. 3.

<sup>2</sup> Report by the State Statistics Committee (Goskomstat) Reported by Reuters, December 5, 2000.

expectancy of men.”<sup>3</sup> The male suicide rate is the highest among transition countries and has doubled between 1989 and 1998.<sup>4</sup> Absolute poverty is endemic, estimated approximately at one third of the population.<sup>5</sup> Economic decline combined with the introduction of market prices and the decrease in the provision of social services has led to massive social dislocation, loss of social roles and identities.

Given these dismal developments, it is important to note two aspects of the institutional context in which these changes are occurring. First, the state continues to be the main provider of a broad range of social and communal services, a social safety net, and in-kind payments to the population. Delivering these benefits remains a priority for the federal government, and is an important part of the governments’ “social contract” with the population. However, the government’s ability to deliver on these social commitments has been highly unstable, and the long-term fiscal sustainability of such encompassing involvement is questionable. Those factors that allow federal and local governments to deliver on social guarantees today – budget surpluses related to high prices for natural resources and growth strongly linked to favorable terms of trade – cannot be counted on in the long term. Nonetheless, the Russian population continues to depend on the government and to expect transfers from the government, and there is very little evidence of development of non-governmental, local level mobilization of resources.

Second, while many key elements of reform programs have arguably been implemented at the federal level, major questions remain concerning their implementation and impact at the local level. Areas such as communal service reform, agricultural reform, health and education reform, or inter-budgetary reform have not had expected effects at the local level even though coherent federal programs have been articulated. Only a few projects can be successfully concluded at the federal level, in cases when a top down designs are justified (e.g. Treasury development, reform of the Tax Administration, Capital Market development). Those geared to operationalization of new social development, social

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<sup>3</sup> *Ibid*

<sup>4</sup> Young People in Changing Societies, Regional Monitoring Report, UNICEF, 2000.

<sup>5</sup> Making Transition Work for Everyone, Poverty and Inequality in Europe and Central Asia, The World Bank, 2000, p.

protection, and human development practices as well as those directed to sectoral adjustment (coal, agriculture, environment) are necessarily implemented “on the ground”.

All of these factors point to the need to focus the Bank’s strategy on social development issues, with a special focus on local level institutions and community level development.

### **Community Development in Russia**

Up to this point, the Bank’s strategy in Russia has not focused on social or community-level development. The reason for the non-inclusion was partly that the previous government was reluctant to have the Bank operate at the regional level, partly that the Bank felt that it should focus both technical assistance and lending operations on the design and creation of economic and regulatory market-oriented institutions that were nonexistent under socialism, and the Russian government was interested in assistance in precisely these areas. Now, a decade into the reforms the pressure of the social realities have made the GOR shift, or, rather, expand its developmental priorities to include more proactive approaches to social development.<sup>6</sup> The Social Policy and Economic Modernization Action Plan of the Russian Government for 2000- 2001, alongside with the goals of deepening market-oriented economic development, emphasizes the goals of preservation and development of individual and collective social assets of the Russian population.<sup>7</sup>

While the Bank’s portfolio in Russia includes a number of projects that affect the lives and livelihoods of communities, the shift of national priorities in the direction of social development has not been met in the Bank by equally comprehensive examination and reevaluation of its social strategy. There is experience of other international development and philanthropy organizations, however, which suggests the potential for an expanded emphasis on community-level development. Work of the Eurasia Foundation and of the Open Society Institute among others has demonstrated that there is a great demand for assistance of this type. Experience of community building activities supported by the Bank and other development organizations in other post-socialist countries also show a

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<sup>6</sup> “Social development” here is used in a broad sense and includes social protection, human development (education and health), and some aspects of the environmental agenda

significant ripple effect of such activities, as communal organizations start to act on behalf of their constituencies after external financing or technical assistance is terminated.

If successful, in a post-socialist context community development projects can serve three important goals:

- Help communities mobilize resources to increase the wellbeing of the population collectively and individually and become less reliant on uncertain state benefits.
- Teach communities and individuals to operate in a more transparent, more participatory environment.
- Develop capacities of the community to interact with the local government in a more equal proactive manner. The democratizing effect of bottom-up initiatives may prove also to be an important outcome of community development initiatives (increased pressure for good governance and transparency of local level institutions).

### **Elements of a Community Development Strategy**

This note identifies three domains in which a community development agenda can be moved forward in Russia.

1. **Sector work.** First and foremost, priority should be placed on improving our understanding of the nature of mutual assistance and of informal service provision within communities in Russia, as well as collecting experience on existing work by development partners. Without a better understanding the local institutions that do or might serve as household coping mechanisms, it is impossible to competently advise on the country-specific design of government social service providing institutions and organizations.<sup>8</sup> A related and under-researched area is the forms of interactions between the communities and the government, the configuration of channels used formally and informally to transmit resources and information. Study of these issues should be the subject

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<sup>7</sup> Government directive No. 1072-r, July 26, 2000.

of sector work aimed at expanding the Bank’s knowledge base and the ability to provide technical advice to the GOR down the road.

The suggested components of the sector work are as follows:

- Qualitative and quantitative study of intra-and inter-communal relationships with a focus on the dynamic transformation of the scale, scope and channels of provision of goods and services to households, the relative share of services obtained through governmental versus non-governmental channels, the sources of non-governmental services, and their relative cost, efficiency, and effectiveness.
- Assessment of community driven development experience – a study of the configurations and effectiveness of the community driven mobilization in Russia, both triggered by external assistance and developed spontaneously “on the ground”.
- **AAA** work on formal and informal service provision and changes in patterns of communal/local government interface in the past decade will help better design transparent custom-tailored service provision mechanisms and meaningfully involve communities into dialogue with local governments. Such work will be more effective if done in collaboration with the **ESW on administrative reform** on the one side and **poverty assessment** study on the other.
- Introduction of community development questions into the nation-wide household surveys (primarily LSMS). So far, this lever has not been adequately used to understand informal institutions which to a large extent govern household level coping mechanisms, provision of services, and communal interactions.

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<sup>8</sup> For an effort to quantify the effects of informal associations as coping strategies see Lokshin, Michael and Yemtsov, Ruslan “Household Strategies of Coping with Poverty and Social Exclusion in the Post-Crisis Russia” The World Bank, 2000.

## ***2. Upgrading of community-based components of existing Bank projects.***

A second area of emphasis is the Bank's current Russia portfolio, which contains a number of projects that could benefit from higher levels of communal involvement.

Increased communal participation promises to make two contributions to existing projects. First, improving projects themselves by making them more transparent, accountable, and sustainable. Second, increasing bottom-up social mobilization, democratization of the decision making, and promotion of self-reliance and independence of government structures

The legacy of socialism dictates that approach to communal development is multisector and multidisciplinary, since the socialist legacy and, to some extent post-socialist reality include the merged nature of a number of key social, economic, and political institutions (e.g. enterprise managers were responsible for provision of housing and social services to their employees, local governmental officials co-managed plan fulfillment by the enterprises). Designing community based assistance at the project level, this developmental path should be taken into account. It will be fruitful to have cross sectoral collaborations responsible to broadly-defined developmental needs of regions and communities.

- Enhanced review of the projects at the design or early implementation stages to include, where appropriate, components or mechanisms that would allow for and encourage more active participation of affected communities in project design, implementation, and monitoring. Bottom-up involvement of communities and individuals in a meaningful dialogue with public officials over the design, configuration, quantity and quality of services provided or appropriate is novel for post-socialist interactions and needs to be encouraged and promoted in a tangible project-specific context.

Here are some examples:

- The social component of the **Coal Restructuring** project which has already made impressive use of communal participation needs to have a component

focused specifically on sub-projects driven by mining communities. In cases coal miners have rural roots and wish to return to farming, rural community development initiatives for the regions of mine closures could be undertaken within the framework of the Coal Mining Project. These possibilities need to be studied in more detail.

- **Education Innovation Project** can serve as an umbrella to orient social scientists retrained within the framework of the social science retraining component towards *applied facilitation and development work in urban and rural communities*. This synergetic clustering will provide marketable skills to the newly-trained and retrained professionals and the goal of creating adequate local talent and knowledge base for the development and implementation of community driven projects in the future. Experience and infrastructure created by **WBI** in the process of the implementation of the **Economic Education** network will be relevant for the design of retraining curricula in social science and the development of intranet training programs. Dissemination of materials, tests, and other information including materials on experience of community driven development can be assisted through the **GDLN** long distance learning initiative and the Open Society (Soros Foundation) educational portal.
- Positive experience of community involvement in Rostov, Tber', and Kaluga in the **Health Rehabilitation** project and good will generated by the project activities in the communities and local governments need to be capitalized on in the form of a component that would built on the existing communal mobilization around health preventive measures.

Other projects in early implementation and particularly the ones at the pre-implementation stages need to be reviewed to assess the components that affect local communities so that the latter are involved in a meaningful way. For example, it would be important in the **AIDs/TB** project to mobilize both urban and rural communities around disease awareness and prevention measures.

3. *Stand-alone community development projects.* Operationally, the most appropriate vehicle for the promotion of the new forms of communal mobilization are Social Development Funds (SDF), since SDFs are expected to create incentives and an institutional format for more transparent social and economic interactions, and resource mobilization independent of governmental structures. Needless to say, the instrument will need to be adapted to Russian realities, a task that is outside of the scope of this paper.

Experience of SDF funds in another formerly totalitarian post-Soviet economy (Romania) suggests the viability of this instrument, and shows the potential ripple effects of sustainable communal economic action. The experience of Armenia, Georgia, Moldova all demonstrate that active involvement of communities in social service provision projects contributes significantly to the development of a more successful, more equal dialogue between the local government and communities, allowing information about communal needs and governments capabilities to travel in both directions.

One important aspect of any community based project is the need for the training of facilitators, community development specialists that up to now have not been produced by the Russian educational system. For this purpose SDF type projects could be coordinated with **the Education Innovation** project. The goal of such coordination would be to prepare community development specialists that would provide coordination and external assistance to SDF type projects and make them more sustainable and replicable. The prospective facilitators will be current graduates of sociology departments as well as retrained political scientists. The latter were educated under socialism and will need to undergo a retraining program to adjust their skills to social and economic needs of the day. In this way the prospective project will have both a human development impact in terms of upgrading the skills of Soviet-trained social/political science specialists and create a capacity to transfer and disseminate the positive experience accumulated in the process of implementation of SDF projects.

## Lessons from Current Bank Experience

An important direction for the regional-level involvement in Russia is the synergetic clustering of mutually reinforcing projects around previous success stories, building on demand created by previous involvement. In practice, there are some examples of **region-specific clustering of projects across sectors is taking place**, which could be productively expanded. Box 1 contains an example of such cross – sectoral synergetic accrual of demand-driven projects and activities that accompanied successful implementation of Community Social Insurance Project:

### Box 1

Community Social Infrastructure Project implemented in Rostov and Novosibirsk regions serves as an interesting example of how the Bank financed project has triggered new attitudes and practices at the regional and community levels. At inception, the project had a very modest objective: to prevent deterioration of social infrastructure in health, education and water and sanitation sectors. What started as an ordinary infrastructure investment has spun off important institutional changes and new attitudes at the grass-root level in the two regions. It also serves as an important example to hold up to the federal government of what the social fund concept could potentially do in Russia.

A few examples:

- both regions initiated a Healthy School program which would link health and education components and will actively involve communities (parents, teachers, students, local businesses, citizens), specially in the remote areas in Novosibirsk and mining towns in Rostov;
- involvement of municipalities and local communities in all stages of design, planning and maintenance of health and education facilities rehabilitated under the project; during the first two years of project implementation Advisory Boards were established in each region which included representatives of oblast, rayon administrations, municipalities, communities and NGOs. The Boards reviewed and agreed on the action plan and selection of facilities to be rehabilitated;
- comprehensive social monitoring under all components and on-going public opinion surveys; school students draw pictures of what changes they would like to see in their schools after renovation, teachers and parents representatives are involved in preparation of the TORs for a design firm and , at the later stage, participate in a walk-through task before the oblast accepts the job done from a contractor;
- development of participatory approaches by creating incentives for the citizens to be proactive in their communities ("all voices are heard and all opinions are taken into consideration in the process");
- very open and transparent bidding process, evaluation and selection procedures create incentives for the local medium and small size businesses to compete for the contracts; involvement of local media in all stages of selection process.

The project also initiated inter-sectoral and inter- projects links:

- Health component is building upon best pilots implemented under Health Reform Pilot Oblast;
- Water component of Rostov oblast has been complemented by the Global Environmental Fund (GEF) project(grant) to address some ecological issues like reduction of nutrients discharge in Azov and Black sea basins;
- Expenditure Management component of the project is linked with the Regional Finances TA project ;
- Water component in both regions is building upon recommendations and designs of the Water Sector Reform Project introducing International Accounting Standards and tariff policies of the water providers (vodokanals);

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The important aspect of the sequence of projects in Box 1 are externalities associated not only with demand for new services provided by other Bank-sponsored activities, but, importantly, with the development and deepening of institutional configurations that did not exist in the region and had no equivalents in Soviet experience. These configurations include close partnership between community representatives (here parents, teachers, and students) and local governments, and mobilization of communal activities around the design and utilization of public structures. These productive interactions serve the dual goal of more adequate and more responsive social service provision and bottom-up civic mobilization – both rarities in transitional Russia. It is also important that these experiences are strengthened and multiplied in related Bank projects.

### **Community Development Agenda in Discussions with the Russian Government**

In the current political and economic environment community driven approaches have a strategic role which up to now has remained untapped.

#### ***1. Community development as a way to “balance” the message on governance and corruption***

The Bank has recognized for some time the importance of broader issues of post-socialist institution building, that go beyond narrowly defined economic development. The thrust of this work has been focused on analyzing particular post-Soviet types of state capture and corruption in both social and economic realms. Corruption is an important aspect of post-socialist institutional distortions and needs to be forcefully brought to the government’s attention. However, singling out corruption as a self-standing key issue responsible for the slow pace and the distorted trajectory of the reform is limiting and may prove unbalanced. First, corruption is only one manifestation of post-socialist distortions. The more entrenched distortions both in service provision and government/population, government/producer interactions are *legal* under current laws (e.g. preferential crediting, tax breaks, commodity credits in agriculture, etc.) and cannot be identified as corruption per se. These are more systemic issues of path-dependent distortions that go beyond corruption and require other than “the tip of the iceberg” approach of hunting down corruption.

Another difficulty with an exclusive focus on corruption is that it provides an unbalanced message. The perfectly justified *negative* message of combating corruption is not counterbalanced by a *positive* message of practical and innovative approaches to the development of institutional and social environment that would promote more empowered, more socially active citizenry capable of demanding more transparency and more participation. Community development assistance, fostering meaningful, bottom-up interaction between the government and the community, will be an important building block in a positive approach which needs to be discussed and developed further.

## ***2. The Government Might be Ready For A New Emphasis on Local-Level Development***

There is good reason to think the government might be receptive to a renewed discussion on community development. Thus far, sub-national outreach has been constrained in part by the reluctance of the national government to borrow for oblast-level projects or to relinquish control over projects. Paradoxically, recent efforts at re-centralization of decision-making may help ease this constraint, as the national government becomes more secure with diminished separatism of oblast-level governments and as fiscal relationship between the oblast and the GOR are streamlined, the federal government is likely to be more secure in on-lending to sub-national entities or in having sub-national governments receive technical assistance from international organizations. Second, community based projects with a social development focus designed as pilots for national emulation have the potential of increasing national cohesion. Communities and local governments strengthened by national vision and practice of social development are likely to strengthen national cohesion and undermine oblast separatism. This message and rationale should be brought to the attention of the Russian government.

The importance of sub-national projects is dictated by the nature of social and human development assistance. On the other side, if local implementation does not follow nationally conceived plans, the newly-created institutions do not develop channels through which services and new institutional structures reach the intended recipients. Such structures are likely to be sidelined by more entrenched mechanisms and remain irrelevant in practical terms (one needs to look at the experience of agricultural reform in

Russia to see negative effects of the disconnect between new nationally designed legal structures and the actual institutional arrangements on the ground). In this sense the dichotomy between national and regional involvement is false, as there is a synergetic and logical unity between local and national level involvement, a fact that has been demonstrated by the Bank experience in other countries and in Russia itself.

Another line of reasoning that promotes concentrating on the federal level is the argument that regional involvement contributes to uneven development of Russian provinces, rewarding the more reformed ones and penalizing the less advanced. It is true that regionalization of projects involves a selection of project oblasts. It is also true that in this process of mutual selection between the Bank and the oblasts the ability of the oblast to assume the burden of project co-financing and implementation is an important consideration. It does not mean, however, that this state of affairs cannot serve a developmental purpose. In a country the size of Russia regional differences are sufficiently significant to necessitate region-specific priorities in social development. It does not mean that the federal government cannot choose relevant provinces for the implementation of policies that are considered national priorities (e.g. **AIDs/TB project**). If the selection is made on performance criteria, this approach rewards more successful, more open, and faster reformers, incentive-wise a positive development. The Bank involvement in more reform-oriented regions has the potential of creating positive externalities and a ripple effect significant enough to regard regional involvement as justifiable and desirable. Community-based involvement and assistance can be used to send a message to less reformed regions on multiple benefits of a pro-reform stance.

### **Summary and conclusions**

In terms of political, social, and economic development the time is right for the Bank to get more consistently involved in social development in Russia. Bottom-up community driven development is an important aspect of a comprehensive social development approach. To make community driven development a success, the approach needs to incorporate three components. First, sector work needs to be enhanced to better understand current state of communal mobilization and the level and type of dependency of Russian communities on the state for provision of goods and services. Second, the

World Bank projects that are to impact communities directly need to be designed or enhanced so as to include more active communal participation in the design, implementation, and monitoring. Third, stand-alone social development projects need to be piloted and carried out to demonstrate the benefits of horizontal community-level mobilization and trigger emulation.

Another important argument for a renewed focus on social development is that social issues have once more come to the attention of the Russian government, and there is a window of opportunity for promoting such programs when the Government enjoys budget surpluses and relatively good macroeconomic conditions. After a decade of top-down predominantly macroeconomic advice and adjustment lending the Bank needs to respond to this shift in the government priorities and take the lead on social development issues. The positive message of enhanced social development and communal mobilization will balance a more negative message of fighting corruption and provide a needed means of making the projects more transparent and sustainable.