Decentralization in Rural Russia: Effectiveness of Reforms

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Key Messages

- Russia has implemented a far-reaching decentralization program that increases the powers and responsibilities of rural settlements in the country.

- The World Bank provided technical assistance for several aspects of the reform implementation, including piloting mechanisms for citizen-participation in public decision-making, capacity building in settlements and measuring the impact of reform.

- Assessment of the interventions showed that providing training in public participation alone did not significantly affect citizens' participation, satisfaction with local services, or assessment of local administration effectiveness. On-site assistance by technical experts in settlements with more open administrative practices yielded better results for public participation and government efficiency.

- Impact evaluation of the reforms showed that decentralization has had a positive impact on political and administrative aspects but mixed results on fiscal issues.

Decentralization Reforms: Main Facts

The Law on Local Governance, enacted in 2006 by the Government of the Russian Federation (GoR), brought about dramatic decentralization of political, administrative, and fiscal powers to rural settlements in the country. After the legislation was passed, every settlement or group of settlements with a population above 1000 became a formally independent administrative unit (poselenija or ‘settlement’) with an elected head (executive), an elected council (representative body), a formal budget with assigned revenue sources, and mandated responsibilities for providing services. About 10,000 new administrative units were created (up about 40% from the pre-reform total), mostly in rural areas.

Settlements are the smallest formal self-governing units in Russia. Next up are districts or rayons, which are agglomerations of settlements. Significantly, settlements are not administratively subordinate to districts. According to the responsibilities conferred on them by the law, settlements are now responsible for the delivery of a specific subset of local services (for example, street cleaning, waste collection), maintenance of a subset of structures and institutions on their territory (publicly owned housing fund, cemeteries, parks, settlement road repairs), intra-settlement transportation (roads and bus services), and utilities (electricity, heating, water, gas). Districts retain the responsibility for education, health care, municipal police, district-level institutions, and inter-settlement transport. The mandates of the settlements are funded through land and property taxes, service fees and higher-level transfers. District-level administrations do not levy or collect taxes. The Law on Local Governance has significantly expanded the legal and institutional space for citizens to participate in public decision-making, and the allocation and use of public resources at the settlement level. Aside from elections, public meetings are now also required on issues of public importance—such as strategic planning, budget allocation and use, and land-use rules.

World Bank Assistance for Decentralization Reforms

The World Bank provided technical assistance on the following aspects of the reform implementation:

- Piloting mechanisms for effective participation of citizens in public decision-making;
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- Capacity building among settlement-level public officials;
- Developing tools for data collection and carrying out the first rigorous measurement of the reforms’ impact and effectiveness;
- Suggesting objective measures to be used for assessing the performance of local administrations; and
- Suggesting incentives for rewarding high-performing settlement administrations and assisting others in increasing their capacity and the demand-driven orientation of services provided to citizens.

**Piloting Participatory Management at the Settlement Level**

The Bank, assisted by a grant from the Japan Social Development Fund (JSDF), undertook a pilot project to improve the participation by the rural populations in public decision-making, assist settlement administrations in understanding the new “rules of the game” on fiscal matters, and facilitate the preparation of legal documents necessary to operate independent administrative units (for example, charters and budgetary documents). The project simultaneously helped build the capacities of local governments to be responsive to citizens and encouraged citizen engagement in local decision-making processes. On-the-ground interventions were accompanied by evaluations of the interventions, wherein officials and citizens were asked to measure the effectiveness of the first year of reforms.

First, in randomly selected sets of rural districts and settlements in the three regions studied - the Republic of Adygeya, Penza Oblast and Perm Krai - local administrations and residents received training and information about techniques for public participation and public involvement in budgetary decision making. They also received the “information treatment”, or information and explanations about the formation and execution of formal budgets.

The second intervention included the basic “information” treatment but also assigned one full-time Rural Municipal Consultant (RMC) and one Rural Legal Consultant (RLC) for the period of one year to each treated settlement (“capacity building” treatment). The consultants were local dwellers trained in the fundamentals of fiscal planning and participatory budgeting (in the case of RMCs) and local/district lawyers (in the case of RLCs) trained in the creation of the legal documents necessary to enact the provisions of the new law in a settlement. The task of the RMCs was to guide the treated settlements through the first post-reform budget cycle, help train public officials and interested citizens in organizing meaningful budgetary hearings, help identify three achievable funding priorities, and provide assistance in achieving those priorities by mobilizing public and private resources and skills. In addition to creating the legal documents (charters of the settlements, fiscal documentation, etc.), the RLCs also provided *pro-bono* consultations to the settlement populations on private matters of public significance (for example, rights for social assistance, cadastre/land/property issues).

The sampling frame of the project also included a sub-set of control settlements, randomly selected for periodic comparative measurements. Overall, 109 panel surveys of settlements, households and public officials were carried out. In addition, objective data on the socioeconomic characteristics of the localities were collected, along with historic data on self-governance in the same localities.

The evaluation showed that the effectiveness of the capacity-building intervention (as measured by citizens’ participation in public affairs and perceptions of improved service provision) was critically dependent on the duration of institutional experience each settlement had had with settlement-level formal governance. In settlements with more stable institutional environments (found in Penza, where settlement-level formal administration had been introduced a decade earlier), providing information alone had no significant impact. However, support around specific concerns, like how to organize public discussions, significantly improved public participation and government efficiency. In settlements without a long history of local self-government (Adygeya and Perm), neither information nor on-the-ground technical support led to significant improvement in average public perceptions of services. But, among settlements in Adygeya and Perm, on-the-ground assistance led to significantly greater results in settlements where government was viewed as more accountable to the citizenry (see Table 1 for specific results and distribution of outcomes). These findings underline the importance of tailoring technical assistance programs to local conditions and viewing capacity building assistance to local administrations as a multi-year commitment to building institutions.

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2 More than 40 projects reflecting community priorities, identified during public hearings, were successfully implemented. For more details, see the pilot project website at: www.worldbank.org/russia/localgovernance
Table 1: Impact of Information versus Capacity-Building Interventions in High-Accountability versus Low-Accountability Settlements

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<td>Public Decision Making</td>
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Note: No calculation is made for the impact of information in Adygeya because no household data collection was done in a settlement in the bottom half of the pre-treatment accountability index.


Effects of Decentralization

The political and administrative aspects of decentralization demonstrate measurable improvements in the processes of local governance. On average, citizens prefer direct elections to any other format of local transition of power (appointments, indirect elections). The reform ushered in a new and, on average, younger, better educated and wealthier cadre of local officials. It also helped institute a more transparent, collegial, and formal relationship between settlements and district-level officials. Elected public officials demonstrated a better knowledge of citizens’ preferences (Figure 1).

The impact of fiscal decentralization was more ambiguous. The reform increased access to resources by allocating land and property taxes directly to the settlements and increasing the prevalence of a formula-based methodology (as opposed to arbitrary decisions) for allocating the bulk of Government grants. However, the federal and regional governments’ responsibilities for tax administration and settlements’ dependence on Government transfers limited fiscal autonomy. The inability of settlement executives to participate in tax administration diminished collection rates. Settlement-level officials demonstrated some confusion concerning the level of subsidies their settlements are entitled to. This indicates that that fiscal autonomy of the settlements correlates more with the level of education of the settlement heads rather than with the objective financial and economic characteristics of the localities.

Settlement officials are perceived by citizens to be significantly less corrupt than regional and national officials. Nevertheless, there is a higher level of trust in the Federal Government (Figure 2). This view contrasts with the United States and parts of Western Europe where citizens tend to have greater trust in local governments.  

Another finding was that citizens who interact with their administrations like what they see. Voting, political activism, participation in voluntary organizations and other forms of informal collective action, were significantly and negatively correlated with the perceptions of corruption and positively with the feeling of trust between local governments and the governed.

Figure 1: Understanding of Household Priorities in Service Provision by Elected and Appointed officials in 2007 (each dot corresponds to one of seventeen public services provided in the studied settlements)”4

3 In the United States, surveys by Gallup and the Pew Center consistently find that respondents view state and local governments more favorably than the Federal Government (with state and local governments registering approval ratings close to 70% and the Federal Government just above 40% during the past decade). See http://www.gallup.com/poll/28795/Low-Trust-Federal-Government-Rivals-Watergate-Era-Levels.aspx.

For Sweden, SOM surveys also showed that people are consistently (from 1999-2007) more satisfied with the way democracy works in their local governments than in their region or in the European Union (SOM Report 2008: 18 “Swedish Trends: 1986-2007”, p.21).

4 Traditional and mandated local services included in the survey are: a) small businesses; b) support to collective farms; c) support to private farms; d) support to individual farming; e) housing funds; f) communal services; g) public transportation; h) roads; i) law and order; j) Youth; k) cultural institutions; l) natural and cultural monuments; m) waste management; n) general education; o) pre-school education; p) medical treatment; q) cemeteries.
Figure 2: Public Perceptions of Corruption Do Not Correspond with Trust in Leadership, 2007

Note: Index number for corruption ranges from 0 (corruption doesn’t exit) to 100 (widespread corruption). Index number for trust ranges from 0 (great distrust) to 100 (great trust).


Policy Implications

Having identified patterns and weaknesses, the project team recommended strategies and tools which the GoR can follow to increase the reforms’ effectiveness.

1. Standardized collection of data on local government performance is vital to guide reform implementation. Results of analyses of local administrations’ performance should be publicly available and disseminated among local public officials and their constituencies.

2. Incentives for enhancing performance can be improved by tying measured performance indicators to the receipt of development grants. The index should be easy to access and understand. It should be based on the dynamics of change rather than absolute numbers so poorer and smaller settlements are not penalized.

3. For reform to succeed, it is important to engage in contextual, specific, long-term capacity building programs for local officials. Without improvements in capacity, the settlements may continue relying on districts for funding and decision-making.

4. Settlements need to have more responsibility for administering and collecting local taxes so local knowledge can be used to improve tax collection.

5. The reform has created the potential for local participation in government decision-making. Technical assistance to improve officials’ ability to organize constructive and open venues for public participation (public hearings, meetings with constituency, formation of civic observer and monitoring groups) should be a high priority in regional and federal policies.

6. National social assistance programs in rural settlements remain critical and need to be managed at federal/regional levels, given that poverty alleviation is not viewed as a core responsibility of local governments and that elected officials tend to target their services at the median voter, not the poorest.

Extensions of the Project

The World Bank and the GoR teams have identified numerous avenues for adjusting reform implementation, legislation, and practices:

- **Federal level**: The Government has adopted indicators of local government effectiveness, developed in consultations with the World Bank team.

- **Russian Statistical Agency** (Rosstat): Rosstat has a set of indicators (“passport of municipalities”) which are publicly available on its website and include information on the performance of rural settlements.

- **Regional level**: The Bank is extending its cooperation on governance with Perm, one of the project regions. A pilot project will expand cooperation between the ombudsman, local government and local activists so that public decision-making becomes more demand-driven, transparent, and effective.

- **Local level**: Associations of municipalities in project regions have adopted the piloted methodology for organizing public hearings. RMCs trained during the project implementation have become valuable resources for the associations.

The methodology and instruments used for assessing the effectiveness of the JSDF-funded intervention are being used to assess grant allocation effectiveness of the program supporting local initiatives in Southern Okrug.

About the Authors

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