

# Can Russia Implement a Unitary Policy for Human Development?

As was noted in the National Human Development Report 2005, territorial differences in Russia are very deep-rooted and present a mosaic effect as regards human development and the MDG indicators in the country as a whole. More detailed analysis of the situation in the federal districts, conducted in this Report, has shown some positive changes in the MDG indicators as well as the existence of critical problems of various types in the regions. Is economic growth in itself capable of solving the problems of social development?

Economic growth has contributed to improvement of the Human Development Index in the vast majority of Russia's regions, but indices in the stronger, more developed subjects of the Russian Federation have grown faster than in most less developed subjects, so that inequality between regions has increased (see Chapter 9). Regional development remains extremely inertial and is based on natural advantages (the agglomeration effect and raw material endowment) and not on investments in human potential, so ranking of the top-10 regions has remained virtually unchanged. Only about a quarter of the country's population lives in regions where HDI indices are above the national average. Such

regions have their own resources for social development and are implementing pro-active social policies, as shown in detail in the present Report. The problems of the least developed regions are extremely critical, but their populations are only 6% of the total population of Russia, so that support from the federal centre is sufficient to give them a substantial "leg up", provided that it is used more efficiently. However, it remains unclear how acceleration of human development is to be achieved in the numerous regions of the vast "middle zone", where two thirds of the country's population are concentrated and where resources for development are still lacking. Mere redistribution of funds from the federal centre will not help to improve the situation so long as institutional mechanisms for stimulating development in the regions themselves remain weak.

MDG indicators for the regions also show a complex balance of social development successes and problems. Economic growth has almost halved poverty rates in Russia, and regional indicators have also improved considerably: while in 1999 only 4% of regions had poverty rates below 20%, the share of such regions had risen to 40% by 2005. Income deficiency of the poorest strata has decreased dramatically: in most regions it is only

5% of total income, although it still exceeds 10% in the five least developed regions. However, the higher the income level in a region, the higher income inequality tends to be: this is a clear correlation in all places, but particularly in Moscow. Rapid income growth also brings a rapid increase of inequality, as is clearly shown by the example of St. Petersburg. Large inequality is a result of the low quality of economic growth and unbalanced distribution of the benefits, which it brings, making it hard for disadvantaged groups to emerge from poverty, particularly extreme poverty.

In reduction of infant and maternal mortality, economic growth has proved to be a supporting factor rather than the initial impetus. Improvement of the indicators since the mid-1990s has been due to modernization of reproductive behavior and more responsible patterns of family planning. The Russian state has only recently begun to invest more in diagnostics and obstetrics, and spending increases on mothers' and children's health has reduced regional variations in infant mortality. The progress in reduction of child mortality contrasts with rather unfavourable trends in life expectancy, which actually decreased in the first five years of economic growth. Regional polarization of life expectancy indicators is increasing due to economic and social factors (people's lifestyle and value system). Life expectancy indicators remain significantly higher and continue to rise in the most developed subjects of the Russian Federation – Moscow and the Tyumen autonomous districts, – since competition for well-paying jobs encourages people to take better care of their health. But economic incentives lack the force to change lifestyles in underdeveloped and depressive regions, where persistent marginalization tendencies keep life expectancy low. Solution of the problem of low life expectancy in Russia as a whole and in each of its regions requires a combination of economic growth and a well-designed policy for promoting a healthy lifestyle.

The dynamics of social diseases also have little dependence on economic growth. Tuberculosis incidence rates have begun to decline only in those federal regions where the scale of this problem was initially less critical. Incidence rates in Siberia and the Far East remain the highest in the country and are continuing to rise. Ability of the health care system to cope with the situation is severely limited by degradation of

the entire social environment: Russia's eastern regions have higher poverty and marginalization rates and a higher concentration of penitentiary institutions on their territory and, in addition to all of these factors, they also have unfavourable climatic conditions. Up to now in Russia measures against tuberculosis tend to be applied in regions, where the situation has not been the most acute to start with, while regions that are in particularly dire straits, lack resources to overcome the impact of negative development factors.

HIV prevalence is in an inverse relationship to economic development: HIV is more widespread in "rich" regions, particularly those with economies that are heavily dependent on raw material extraction and which lack well-developed social infrastructure. Higher incomes are not always used for the benefit of human development. There is currently little reason to hope for improvement in this state of affairs, and rate of growth of HIV infection remains high.

The geographical pattern of gender-related problems is similar: higher income levels in a region tend to entail a larger gap between average wages of men and women and, vice-versa, the male-female wage differentiation is lower in regions with lower income levels. So, in the present state of things, gender income equality in Russia is only possible in poverty. Gender ratios in wages have changed little in the years of economic growth: dominance of raw material extraction in structure of the Russian economy and dependence of growth on commodity exports are not conducive to gender equality.

Another problem is the extremely low representation of women in government. Again, an inverse relationship is observed: larger and richer regions tend to have less female representation in their parliaments. Only one region in ten has a level of female representation in its parliament above 20%, and levels in about a quarter of regions are 5% or lower. Elections held since 2000 have brought practically no changes. On the whole, economic growth does not have much impact on gender inequality in politics and on distribution of income between the sexes.

MDG-based assessment of the social development situation in Russia's regions has confirmed once again that economic growth in itself cannot cut the Gordian knot of accumulated social problems. Indeed, both regional and social differentiation in Russia are becom-

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ing more marked. It has to be recognized that regional inequality in Russia is a long-term phenomenon, is caused by objective factors and is particularly pervasive at the catching-up stage of economic development. Redistribution of budgetary resources alleviates inequality but it only "papers over the cracks", without stimulating social modernisation.

Debates concerning the feasibility of a single universal policy of regional development in Russia have continued for a number of years and have not led to any significant results beyond redistributive measures in the budget and finance sphere. Moreover, the reasoning is sometimes highly dubious: opinions are aired on the need for forced repopulation of sparsely populated territories or compulsory prevention of migration from these territories, about creation of a single centralized development plan controlled by the federal centre, or about supposed need for a protectionist trade policy, which would stimulate import-substituting production on regional markets. Research and the experience of other countries have shown that regional development policy cannot be effective when it is organized in the form of a planning diktat. Instead, the emphasis needs to be on stimulating change, on improvement of the institutional environment, improvement in quality of government and social management, with due attention and willingness to reduplicate successful experiments. Can the present "regional" analysis of the Millennium Development Goals contribute something new to this discussion?

Firstly, the analysis has shown that absence of a single federal policy has not been an obstacle to implementation by subjects of the Russian Federation of their own varied and often quite successful development programmes, which deserve to be viewed precisely as investment in human capital. Areas, in which the subjects of the Russian Federation have taken major steps forward, include: education and linking it to the labour market; increase of access to medical and social services; restoration of ecological balance; stimulation of effective employment (particularly with regard to low-income and other socially vulnerable groups); and eliminating gender inequality and disproportions on the labour market. Improvement have been achieved by a variety of regions with very different levels of

development and degrees of natural resources and infrastructure endowment. The cases presented in this Report do not exhaust the list of social and economic innovations, which have been developed, piloted and implemented in Russia's regions. However, we hope that the Report will contribute to interregional transfer of positive experiences in ways of addressing problems, faced by Russian society in the context of MDGs, thus building strong horizontal connections to support social development.

Secondly, comparison of the situation in different federal districts and regions helps to discover "weak links" in socio-economic policy, which may need adjustment. For example, the experience of many regions shows that emphasis in current demographic policy is often on stimulating birth rates, although the major problem for human development and quality of life in Russia remains the shocking number of early and perfectly avoidable deaths. Another example: there is currently an obvious lack of programmes aimed at increasing mobility of the population. Treatment of Russian regions as separate, closed economies is often manifest in policy formulation by regional administrations themselves. This limits the possibilities for capitalizing on comparative advantages of economic development and human development, particularly when the advantages are not functions of natural resource endowment, but arise, for example, from scientific know-how, technological innovation, or sectoral developments, which have competitive potential on external markets.

Thirdly, the research carried out for this Report suggests a list of general recommendations for designing a socio-economic policy, which could stimulate regional growth and increase potential for human development. We now proceed to briefly set out these recommendations.

Many regions need to find ways of freeing mobilizing resources for economic growth, which is the main factor of human development. Structural distortions of "monoindustrial" regional economies, the problems of large engineering and light-industry plants, as well as of agriculture, and the high share of the non-market sector in the economy all show a pressing need for a policy, which could speed up conversion of factories that lack prospects and establish new competitive production in their place (albeit on a smaller scale), and could design

effective temporary measures to support, retrain and increase mobility of workers, who lose their jobs as a result of the change.

A multi-pronged regional policy for human development and improvement of people's welfare needs involvement of local government and civil society institutions. That could be achieved by *a mechanism that stimulates effective social reforms by operating at the regional level in each subject of the Russian Federation, while interacting and cooperating with the local government level*. Whatever such a mechanism is called ("municipal social development fund" or "social initiatives fund") its purpose will be to give prompt and relevant responses to changes in local development priorities, based on flexible financial planning and offering a strategic vision of development prospects for the whole region, properly linked to economic prospects. Such development fund could also help to strengthen institutions of state and municipal governance, requiring administrations to be accountable to their voters, and monitoring government spending on items of priority importance for local communities. Co-financing or other forms of contribution by local people and business to solution of their own socio-economical problems would help the mechanism to work. Resources could be allocated to fund a variety of measures and programmes, provided that they meet general criteria of responsible financial management and support for human development goals. Worthy causes could include programmes for restructuring publicly funded social institutions, competitive procurement of social services, social infrastructure projects to benefit socially vulnerable groups, development of inclusive (integrated) education for children with special needs, promotion of healthy lifestyles, development of preventive medicine, socio-medical care for expecting mothers and many others.

However, these recommendations cannot hope to produce results without proper mobilization of all social forces to *combat corruption*, which slows down economic development and impedes effective restructuring as well as preventing the state and local authorities from performing their main duties properly and cooperating with tax-payers. Human development analysis of Russia's regions does not produce any new suggestions for specific measures to combat corruption. It merely

highlights the fact that lack of efforts in this direction will prevent human potential from becoming the key factor in regional development and thus prevent the country as whole from successful integration into the post-industrial global economy.

An important recommendation, which could be implemented in one form or another in practically every subject of the Russian Federation, is to boost development of social programmes and services that would encourage ordinary people to take the initiative on the labour market. This would involve cooperation between social services and employment services and would target people of working age with low incomes. This Report has offered some examples of programmes that aims to mobilize the labour potential of socially vulnerable families, and such programmes are increasingly popular at both regional and municipal levels in Russia. Such an approach has proved effective in reducing depth of poverty, reintegrating families, preventing social dependency and helping to solve youth problems. The main obstacle in all regions to large-scale implementation of this approach is lack of coordination between various departments in the socio-economic and labour sphere. At present, joint efforts by employment services, economic departments and social agencies are mainly limited to implementation of target programmes, but there is very little day-to-day cooperation focused on resolving real problems of people and their families. An initiative to harness the efforts of separate departments at regional level could start with integration of databases, creation of common procedures for information exchange, and creation of a "case management" system, which would analyze problems and design individual plans for social integration and self-support for *needy families*, including provision of various services (medical, social, educational) and required actions and efforts by the recipients themselves. Integration or harmonization of activities by various departments and agencies could take different forms in different regions. One possibility would be to strengthen the role of schools in social monitoring of families with children. Law enforcers also have a role to play in programmes for social integration of such marginalized categories as the homeless or street children. Decentralization of the Federal Service for Labour and Employment since for 1 January 2007, should stimu-

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late this agency to define priorities and resources for development of labour markets, and for implementing a whole range of programmes that promote real (not ersatz) employment.

The Report cannot offer any general recommendations regarding *problems of infrastructure provision*. There is no doubt that these problems have a major impact on human development. But trends in development indicators show that traditional mechanisms for improving infrastructure (mainly target programmes) have failed to produce fundamental changes in most cases. Decay of social infrastructure in regions and municipalities has most impact on low-income and socially vulnerable groups, since they lack financial and other resources (administrative or social connections), which they could use to obtain goods and services on the private market. People in low-income groups cannot afford private kindergartens, schools and medical care, and young people from low-income families are most at risk of being unemployed. Therefore, regional policies for improving social infrastructure and utilities, and increasing access to modern services for the poor and people with special needs, will do much to equalize human development prospects. The challenges are numerous: improving the quality of tap water; increasing geographical and informational accessibility of public institutions; increasing provision of quality education to children from socially vulnerable families; and increasing mobile provision of medical, social and other human development services, so that they are available in settlements, which are scattered across large territories (there are several examples of such initiatives in the current Report). There needs to be a complete and radical *revision of rules for realization of target programmes*, including principles for their responsible financial management, transparency in defining financing priorities, compulsory independent assessment of investment efficiency, proper competitive application systems and feedback mechanisms.

Returning to the issue of social and labour mobility as a factor in proper use of human potential, we have only been able to cite a few anecdotal examples of *state-sponsored regional programmes investing in mobility* in the Report. These mainly concern assistance in resettlement of people from depressive territories with low development potential. Such assistance is undoubtedly a very effective way of transferring the

key factor of production (people) and of reducing inefficient budget spending on infrastructure in unpromising settlements. But regions should be encouraged to go further and to consider a wider range of social investment programmes promoting labour mobility. These could include educational loans to young people, wider implementation of micro-credit programmes, development of continuous education (by revision of current programmes in compulsory and professional education), development of interregional information exchange on the labour market, etc.

*Involvement of civil society* in design and implementation of regional human development policies needs to be increased. Studies show that capacities of civil society organizations for providing social and educational services are not sufficiently exploited. Independent non-profit organizations, public commissions, official and unofficial civil unions and volunteers can do much to improve accessibility and transparency of public welfare services inside regions, and have an important role in monitoring the activities and initiatives of the state. Civil society institutions can help to overcome administrative barriers and assist the most vulnerable members of society in obtaining access to services and also to information, which is often at least as important as an impulse for development. Russian regions would do well to move beyond the debate and discussion stage and to start a cooperation in practice, allowing NGOs and initiative groups, which provide real services to people, to use their expertise for improvement of social development management. Local and regional research centers can also play an important role, by monitoring work of executive government towards achievement of the Millennium Development Goals in each of the subjects of the Russian Federation.

Studies have shown that regional development priorities cannot be identical in "leader" and "outsider" regions despite indisputable relevance of the tasks defined within the framework of the Millennium Development Goals for the whole of Russia. Better developed regions can and should focus on issues of social integration of low-income groups and people with special needs, on finding comparative advantages of their economies, which will increase stability of regional labour markets, on reducing mortality and developing prevention programmes in health care,

and on implementing special programmes to stimulate local development (particularly in rural areas) by creating new jobs in new spheres. By contrast, in the least developed regions investments in social infrastructure make little sense. Such regions should give primary importance to economic restructuring and finding new spheres of development, after which they can support retraining and skill upgrading programmes for people of working age. They should also make efforts to increase labour mobility and combat social diseases, which are responsible for degradation of human potential. These measures require the backing of an appropriate and consistent federal policy to create essential conditions for their success. Such conditions would include development of public and political institutions promoting stable growth, modernization of the educational and health systems, genuine reform of the public administration, and increasing competitiveness of domestic products on the world market.

The most important conclusion deserves to be stated once again: in a country with such huge inequality between its different regions, no single recipe for social policy is possible. Support measures have to be varied, because social problems in Dagestan (for example) are completely different from those in oil-extracting regions of Tyumen or Moscow. Ways of implementing national projects cannot be "carbon copied" across Russia without risk of huge inefficiency. In addition to support from the federal centre, regions need wider powers and larger resources to increase their responsibility for their own social development. Without stimulation of social modernization "from the grass-root level", economic growth will continue to be accompanied by stagnation (or even degradation) of important components of social development. This has already been seen in recent negative dynamic of life expectancy and the HIV/AIDS epidemic. In order to be effective, social policies of the state must be based on the modernization potential of the society itself.