

# Developing Hinterland

## Rural developers

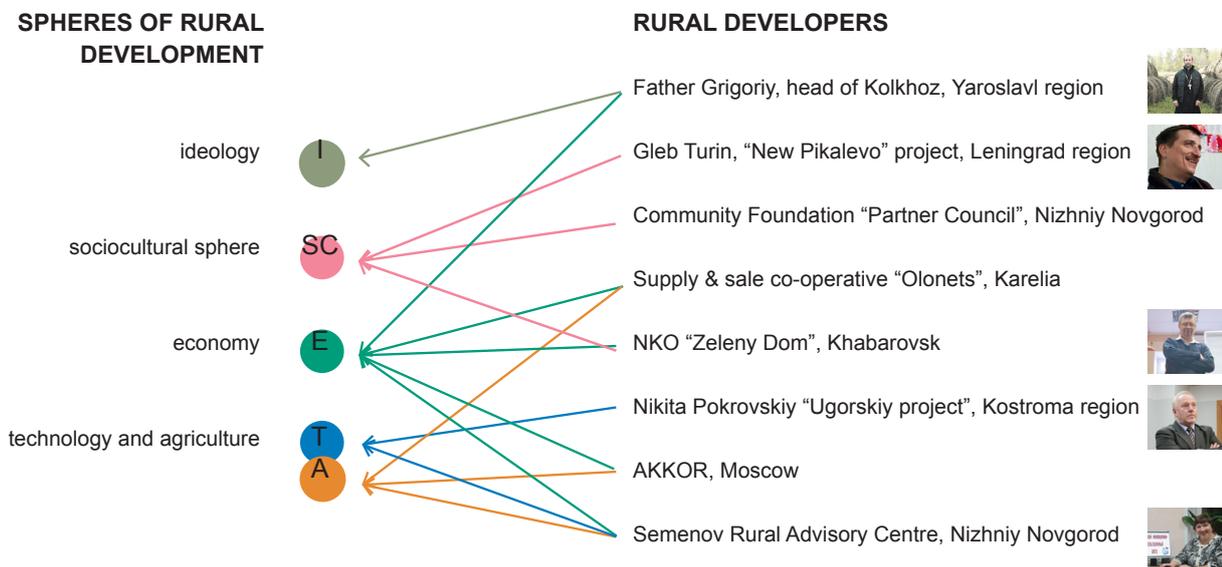
The word *developer* is widely used in Russia nowadays. The Cambridge dictionary (2011) defines *developer*, as a *builder, a person or company that makes money from buying land, building new houses, shops or offices, or by changing existing buildings to sell or rent*. This project extends the notion of *developer* to the countryside.

The paper will focus on the organizations and people developing the Russian province in the broader sense of the word. Who are the rural developers? What is their function? What exactly are they doing for the development of the province? What defines them as civil society activists?

The main goal of the project is to identify effective models of rural development and to understand the scale they operate on, their characteristics that are specific to a certain region and the possibility to implement certain models across Russia.

Six rural developers typologies were identified and selected for this project:

- Cooperatives
- Rural Consultancy Centres
- Community foundations
- Religious community
- Social organizations
- Federal level associations



*Spheres of rural developers' work. This diagram illustrates the spheres in which rural developers operate. On the right-side of the image are included the rural developers whose work has been analysed here. In most cases it is a combination of various roles and spheres. Common drivers are economy, technology and agriculture.*

## Changes in the past 20 years in Russia

Due to economic reforms of 1992 (particularly, the Presidential Decree “On measures of price liberalization”), infrastructure and social amenities are no longer administrated and financed on the federal level, but on the level of local municipalities. This has led to a halt to federal funding for the “Revival of Russian Village” program and abolition of the governmental Commission for the development of villages.

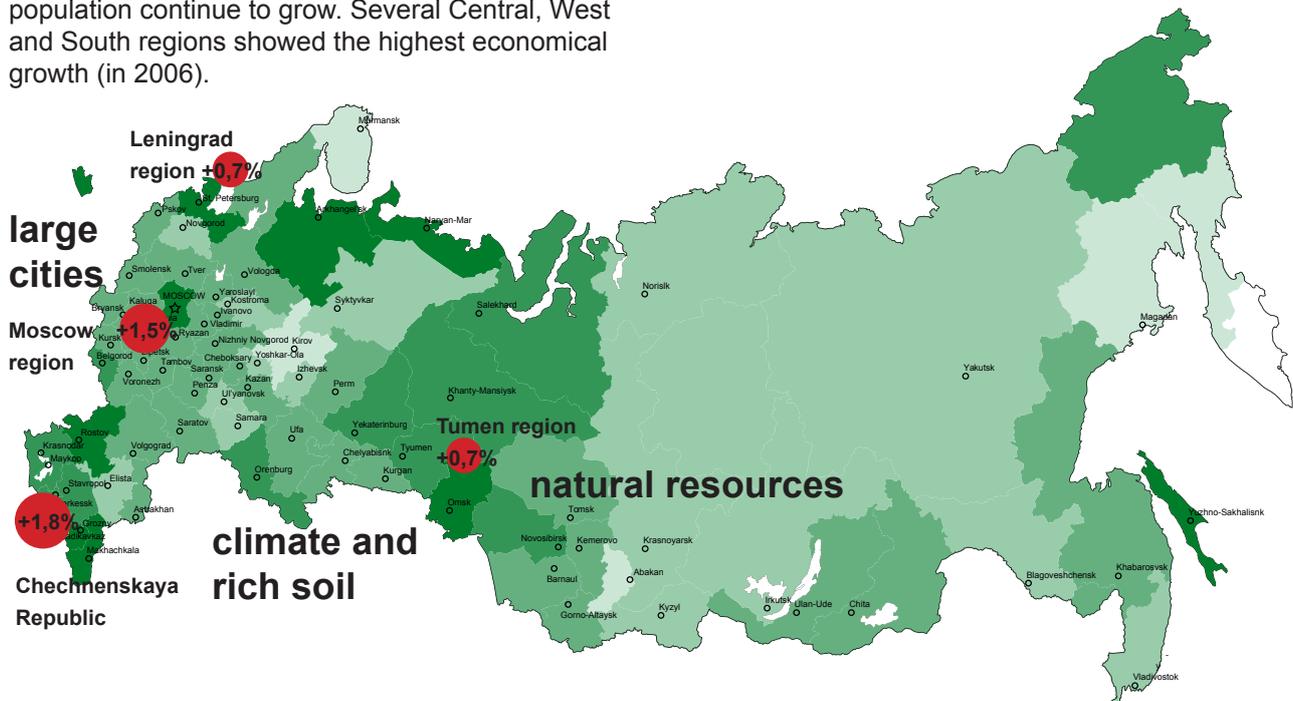
It was then in 1992, when social infrastructure, completely deprived of support from the state and from impoverished agricultural enterprises, started to disintegrate. As for the local authorities, they also lacked - and still lack - funds to maintain an adequate level of schools, hospitals, roads and shops.



Belyaevka, Ohanski district, Perm region, foto by A. Nikulin, 2008

## Factors for rural growth

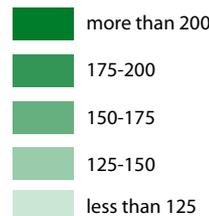
Despite the overall population decrease in Russia, and especially in rural areas, there are some exceptions: regions where both the economy and population continue to grow. Several Central, West and South regions showed the highest economical growth (in 2006).



*Influence of various factors on economical growth and growth of rural population in Russia (2006).*

*Principal “engines” of growth in the Central and the North-Western regions are large urban centres, which once again proves the role of agglomeration in the development of the country. Rich natural resources, in particular oil and gas, is the second factor that stimulates growth. And favourable climate and rich soil is the third factor. www.socpol.ru, 2011*

## Dinamics of economical growth\*



\*GDP index of regions 1998-2006, % to 1998 year

**+0,7%** Regions with growth of population, 2010 to 2002 census, www.socpol.ru

# Cooperation

**A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.**

## The cooperative as an economic tool

Cooperatives are enterprises that, based on their format and ideology, place people at the centre of their business and not the capital. Cooperatives are business enterprises and thus can be defined in terms of three basic interests: ownership, control, and beneficiary. This is why in the cooperative model all three interests are vested directly in the hands of the members.

## Benefits

In general, it is very difficult for a small-scale farm or enterprise to compete with large companies for a number of reasons: cost of materials, limited market access and complicated governmental relations. If, however, small-scale farms are united in co-operatives, in fact they become large-scale organizations with all its benefits, while still remaining separate entities.

In this way, they get better procurement contracts with government and private vendors, collective rights are better secured than individual and members of co-operatives can attend conferences and learn from international experience. But the most important thing is that all the profit is either distributed among the community members or spent on communal goods.

## History of cooperation movement in Russia

**Russian Empire** - growth of the cooperative movement



Chayanov A.V. (1888-1937) Russian economist, ideologist of cooperation

By 1917, the number of cooperatives of all types approached 50,000 and Russia ranked first worldwide in terms of the number of cooperatives.

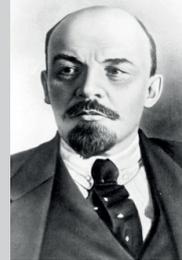
The success of the cooperation movement during this period was based on a number of key principles: voluntary participation, self-activity, the financial interest of all participants and democratic self-governance



in the beginning of XX century over 100 cooperative-newspapers and magazines are produced

**USSR** - cooperation is under State control

"Cooperation, under our conditions, very often entirely coincides with socialism". Vladimir Lenin (Complete works, 5 edition, t. 45, pg. 375).



Main principles of Soviet kolkhoz (as the new form of cooperative):

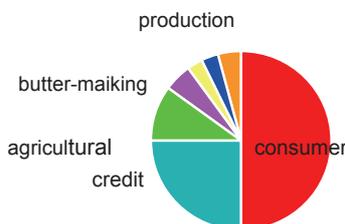
- planned production and predefined prices
- obligatory participation
- Head of Kolkhoz was appointed by the Communist party



During the time of collectivization, agricultural cooperatives were turned into large socialist farms: kolkhozes and sovkhoses. They were artificially spread across the country and positioned as the highest achievement of the USSR.

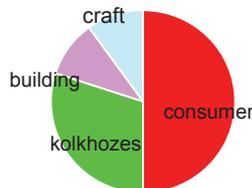
1900

cooperative movement is starting to gain popularity



1917

Revolution

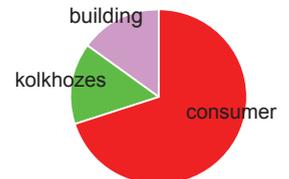


1940

Collectivisation

Decreasing diversity of cooperatives

note: all diagrams made are based on experts' opinion (Russian University of cooperation - statistics on cooperation have not been collected since 1917 Revolution)



**Role of cooperation.**

Cooperation is an extremely effective tool of self-organization of farmers. It was originally promoted by Russian intellectuals in 1861, following the abolition of serfdom. The aim was to help peasants adopt their households and operations to liberal condition. Cooperation was developing successfully in Russia in the beginning of XX century, however, the movement lost its freedom under Soviet state control. The situation during the 1990s, after the Soviet Union collapsed, resembles 1861 with the only difference being that during the Russian Empire there was a landlord making decisions for peasants, and in the Soviet time it was the kolkhoz.

When communism and the planned economy fell in 1991, rural establishments lost clarity on how to approach new production. The result is that in today's Russia there are many agricultural holdings with an established market monopoly, so the small-scale farmers have little possibility to find their market niche. Cooperation has a new opportunity to create a space for small-business producers next to overwhelming corporations, giving farmers the benefits of a large-scale business without denying the independence of small-scale farms.

**Post-Soviet Russia** - principles of cooperation are not very well known

**Cooperatives become de-facto a legalized form of business in the USSR**



Law on "Cooperation in the USSR", turned cooperation into a "multibranch system, organically connected with the State economy..." (1988)



The concept of cooperation is discredited ever further during the 1990s, as many cooperatives lose money through speculation schemes.



Cooperatives have inherited not only Soviet-era principles, but also the infrastructure. The model of the cooperative is perceived as part of the Soviet past.

**Law on "Credit cooperation" is signed by V. Putin (2009)**

**The law "On Credit Cooperatives" is listed in the governmental anti-crisis action plan**

**Russian Empire**

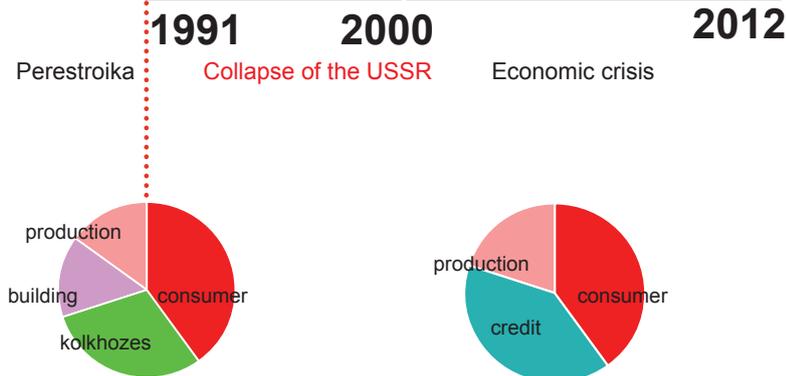
By 1917 Russia was the global leader in the number of cooperatives. Cooperation was supported by the state in all spheres: cultural, educational and economical. Intelligentsia also played important role in popularity of cooperatives by using propaganda among peasants to educate them. Joint effort of intelligentsia and government cooperatives were widely supported by peasant families and became massive scale phenomena in Russian Empire.

**USSR**

Following the Revolution of 1917, the Russian cooperative movement was distorted. The old type of cooperation was eliminated, they lost their independence, freedom and democratic principles, and was transformed into top-down model.

**Russian Federation**

After the 1990s, the cooperative became a bureaucratic form of ownership. Today the government does not consider the cooperation as an independent economic power capable of providing any significant influence on the course of economic transformation. There is also lack of education and informational support for the cooperation movement. State law ignores the diversity of the cooperative movement and generally still limits the number of cooperatives. (Legislative laws recognized only 3 types: production, credit and consumer cooperatives).

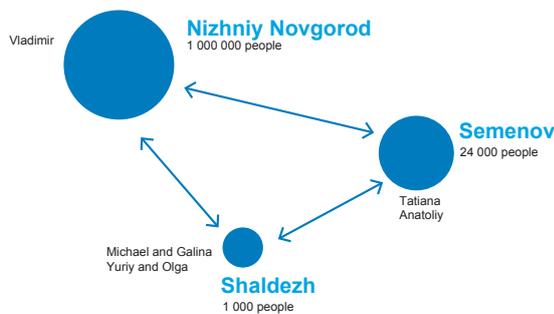


## Family network

Family network and solidarity are especially important in rural Russia. It is a feasible base for the every-day development of the hinterland.

### The Baldin family network

The core members of the Baldin family are five siblings living in between three different locations in Nizhniy Novgorod region, Nizhniy Novgorod, Semenov and in village Shaldez. This family network combines both rural and urban professional connections, which help to sustain an optimal exchange of resources. They support each other when it comes to loans, construction of their houses and raising children. The important thing is that the tradition continues among the younger generations. However the influence of the Baldin network also extends to the community. Bright example of such influence are Olga and Galina who work in the Semenov Advisory centre, which is led by Galina Baldina.



Galina Baldina, Head of Semenov Advisory Centre

### Extending the network

The rural advisory center was created in 1998 to provide assistance for agricultural development and for improvement of social and economic living conditions in rural areas. The team of the centre includes a number of various specialists: zootechnicians, agronomist, accountants, economists and lawyers. They advise on educational, scientific and technical questions.

The centre has a key role in the development of this rural territory, and serves a social, technical as well as economic role. The centre is fairly successful and it is very popular among local residents, but this entire organization functions solely as a result of the efforts of local leader Galina Baldina. Despite being a real success, the centre is not sustainable yet, because it depends on the quality of the individual. Leaders are very important for Russian hinterland but not everything should depend on it. The advisory centre in Semenov has only limited communication with representatives of similar advisory centres and it doesn't connect with other types of organizations at all.



"All together!" Baldin family, photo by Nikulin A. 2008.

## Role of religion

*Representatives of religious confessions are active participants in the development of the countryside.*

### **Father Grigory head of a milk-producing kolkhoz “Kolos” , Yaroslavl region.**

In 2004, in the village Gorinskoe in the Danilov district of the Yaroslavl region, Father Grigory was elected head of kolkhoz “Kolos”. On the day when a meeting of shareholders chose Father Grigory to head the accounting division, the budget was so empty that they couldn’t even find 500 Rubles to pay for milk-processing. The Father had to contribute his own money.

Over the course of the summer and autumn, Father Grigory managed to repay urgent debt (including salaries and payments to the pension fund), and postponed the long-standing ones.

An economist Maxim Janov, a graduate of the Moscow State University of Economics, Statistics and Informatics, moved to Gorinskoe to help the Father, after they met through another Orthodox leader, Andrei Kuraev. Together they developed a short-term program of economic development for the kolkhoz “Kolos”. As a result of the measures, milk yield tripled. In addition, Father Grigory decided to lease a cooler and special filters to improve the quality of the milk. Thanks to this equipment, the kolkhoz was able to increase the price of its milk by 30%. In this way, the debt was reduced from RUB 2 million to RUB 1.5 million.



*Father Grigory is the head of the kolkhoz “Kolos” in the village Gorinskoe in the Yaroslavl region, 2006, [www.izvestia.ru](http://www.izvestia.ru)*

The new law “On financial recovery of agricultural producers” came out right on time, and allowed the debt to be restructured with a 5-year-delay.

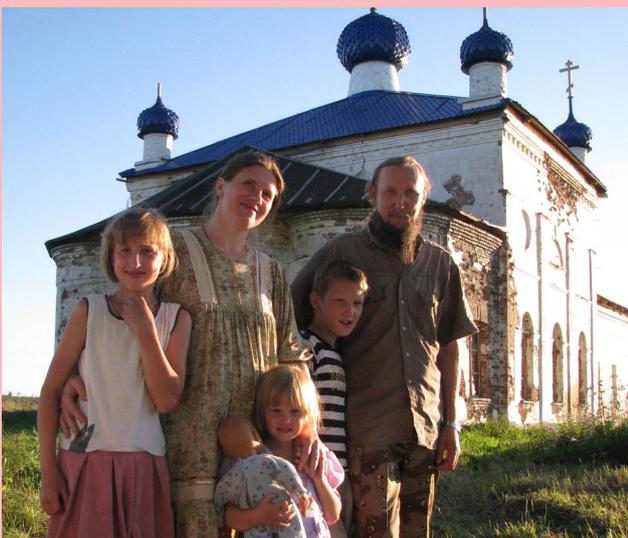
Father Grigory also managed to take part in the national developmental project and thus build a modern automated livestock complex. The kolkhoz is now selling high quality milk - a product of quality that meets standards of the leading European manufacturers.

Farther Grigory fights alcohol abuse: employees

are not allowed to be intoxicated at work. He sometimes milks the cows, repairs tractors and handles the kolkhoz equipment himself.

Father Grigory simply explains his consent to become head of the kolkhoz. Nowadays there are many villages where kolkhozes went bankrupt and were liquidated. The fate of these communities is inevitable: people are gradually leaving them and moving to places where they can find a job. And after the village.

“And then, when the kolkhoz is out of the crisis, I will resign and only serve God,” said Father Grigory.



*Another example of selfless labor of Orthodox leader is an example of Father Sergiy in Arkhangelsk region. Community of parish and he restore the old crumbling Church of the Nativity of the Blessed Virgin, on the photo Father Sergiy with his family, photo by Nikulin A. 2010.*



*Orthodox community restores the old crumbling Church of the Nativity of the Blessed Virgin on the island Pogost which was built in 1822, 2008, [rusbereza.ru](http://rusbereza.ru)*

## Social organizations

Different kinds of social organizations are involved in the development of the hinterland: non-profit organizations, non-governmental organizations, foundations, governmental agencies, trade unions, various associations, socio-cultural movements, etc.

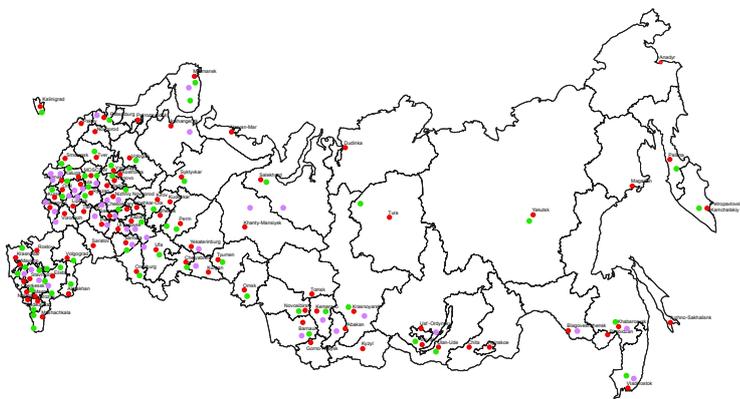
Social organizations' main spheres of interest are generally: health care, civil society, rule of law, local governance, conflict mitigation.

A number of such organizations are examined in this research. The criterion for the selection of organizations was their involvement in development of the hinterland.

### International funds and agencies in Russia

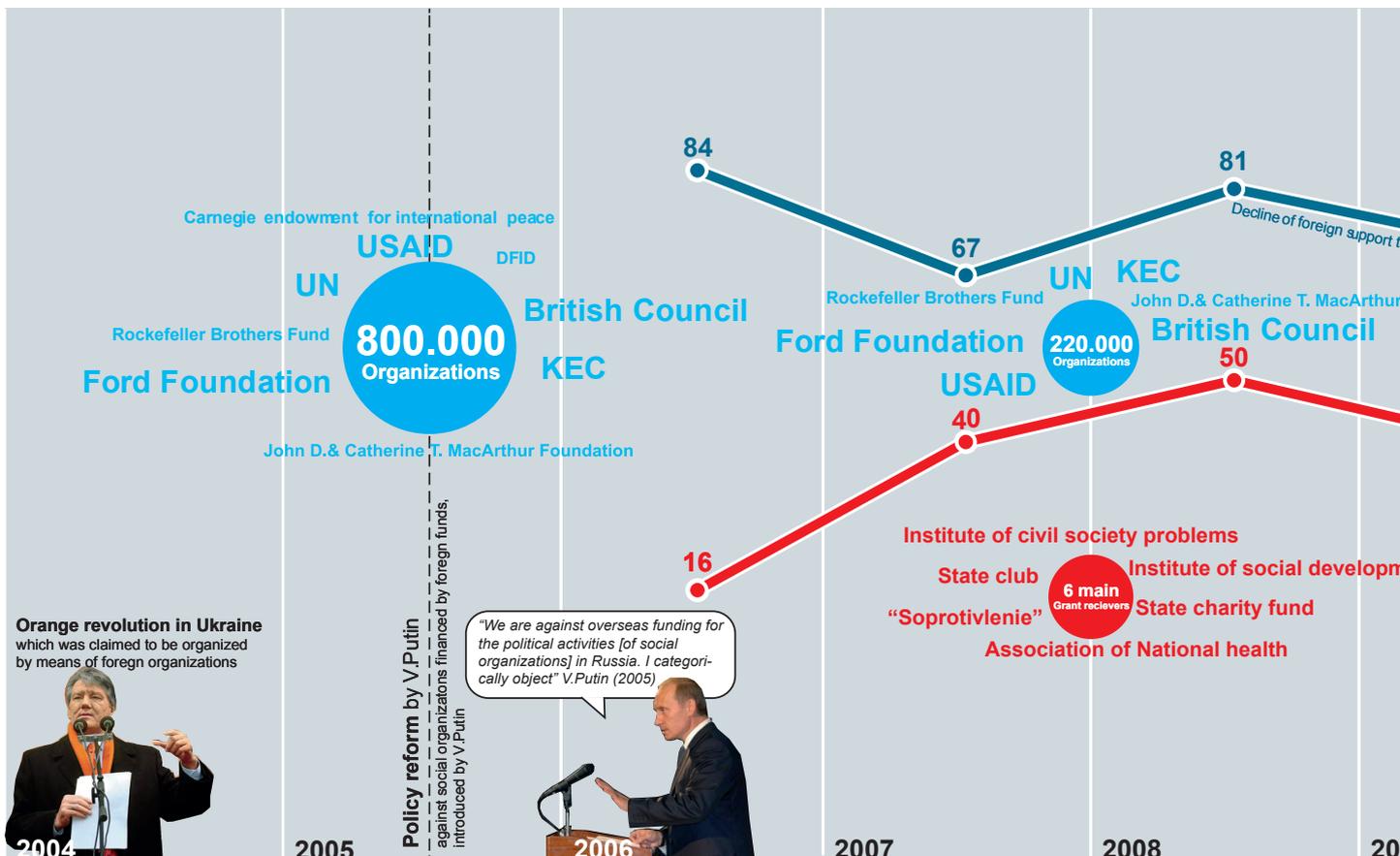
After the collapse of the Soviet Union, international foundations and development agencies started to actively work in Russia. The first one was USAID, which was established in Russia in 1992 and operated across the country.

Gradually organizations and national institutes of civil society also started to appear. In the late 2000s some international agencies stopped their activities, either believing that Russia had enough strength to become a donor (for example, the British DFID stopped its operations in 2007), or due to the financial crisis of 2008. But some organizations, such as USAID still continue to actively work today.



International funds and agencies in Russia (2011) represents coverage of 3 international agencies in Russia

- USAID
- UN
- WorldBank



## Social organizations in rural areas

The number of social organizations in rural areas is quite small in Russia: only 5% of the total amount of social organizations.

These organizations are engaged in the development of local self-government, work with young people and the elderly, raising the local activism of the population, helping small businesses and cooperatives. These organizations appeared in the 1990s and were initially funded by various foreign funds. With time, some of these organizations manage to enlist the support of local authorities and receive funding from regional budgets. Yet a lot of them are still receiving money from abroad.

“The outlook for civil society in Russia depends on the activities of its population: strive to unite, to defend their rights and to cooperate in this with non-profit organizations, etc. It also depends on how wide and well-organized the interaction between non-profits and the government is”.

Denis Volkov, “Perspectives of civil society in Russia”, Analytical center Levada Centre, 2011.



### NKO “Zeleniy dom” Khabarovsk

A bright example of a non-profit organization that has successfully implemented a new model of rural development, “Zeleniy Dom” says that its slogan is “Not for people, but together with the people”. The program encourages most the active citizens (they make up to 15% of the total population) to set up and participate in self-government institutions. Fifteen out of a total of 19 projects are now working.



### Ugorskiy project by Nikita Pokrovsky

The Ugorskiy Project is an initiative of Nikita Pokrovsky, a professor at the National Research Institute - Higher School of Economics. It is an example of scientific research influencing countryside development. The project aims to create a new, reverse, model of migration: from cities to ecologically clean areas of the Near North (Thinning north). It is called “downshifting” among representatives of the emerging, urban middle class working in a remote-access mode.



### Gleb Turin’s New Pikalevo project

“The new Pikalevo” is a project that brings together people who are aware of the fact that citizens can work together to create a new future for their city, bringing new opportunities and using their resources in a new way. The leader of the project is Gleb Turin. He is often called the “hinterland rescuer”. Previously, Gleb worked for the Institute of Social and Humanitarian Initiatives, which was developing self-organization in villages in the Arkhangelsk region.



## Personal access: utilities and infrastructure

“6 trln rubles is required to repair basic assets across Russia”,

Medvedev speech, 2010

Some problems can be solved locally, but for that the local community needs leaders and institutional support of development organizations.

“What is advocated today? Who should decide for a man? People now quote our president or prime minister saying that the mayor should sustain personal yards, keep order in entrances. And people come to me with such claims all the time. And people are sure now, that everything should be done for them, not by them.”

Shkarban, S. Kologriv Mayor. (Kologriv, 2010. HSE Summer sociological practice).

From 1995 to 2010 the length of water pipes in need of repair in rural area increased from 37,5 to 82,1 thousand kilometers. And as of 2010, only 32% of rural settlements have water supply systems.

(Kologriv, 2010. Higher School of Economics Summer sociological practice).

### Role

The countryside in Russia's periphery is still either poorly equipped with infrastructure and utilities, or it is in very bad shape; this is infrastructure that should provide basic living facilities and connection to other settlements. Due to a lack of reliable statistics, it's hard to estimate the actual number of deprived citizens.

### Traces

Much of urban and rural infrastructure was constructed during Soviet times with the aim of supporting industrial growth and big projects, such as GOELRO, BAM. Many facilities were built with the help of Kolkhozes and labor-prison colonies. In Soviet times, prison labour camps were a significant resource for industrialization. Prisoners were widely used in construction projects of different scale, from the Belomorcanal to local residential housing. For that reason, some distant settlements grew dependent on inmate labor.

### Main Challenges

Today municipalities do not have the means to maintain all the worn-out infrastructure, and many basic facilities are worn out. The level of exploitation reaches 70-80% in some areas while the official average number is 60%. Budget resources required for the repairs exceeds any local municipal budget many times over. In fact, it makes more than half of federal budget for 2012 (which is 9,5 trln rubles). There are no estimations of the consequences in the event that communal services begin to fail. In 2010, President Medvedev proclaimed that large-scale cooperation with business would be required to renovate the facilities.

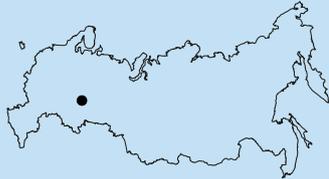
Poor infrastructure has a negative effect on businesses, raising the cost of production. For agricultural businesses, the expenses for infrastructure are high mostly because of the distance between energy, water, road networks and the production site. Infrastructure costs increase the price of the end-product.

As a legacy of Soviet maintenance policy, which was widely supported by local enterprises, current communal maintenance also heavily relies on agreements with businesses, usually big companies, such as ALROSA in Yakutia, and occasionally medium scale enterprises such as in Il'yno-Zaborskoe. Small enterprises almost never participate (for they don't have the spare resources). Relationships between the local administration and business are a matter of negotiations, and participants experience a lack of effective regulations.



## Starting a new life for the village

*Andreevka village, Okhansky rayon, Perm Krai. Rural settlement includes Andreevka (population 801), Gurevlyane (90), Churan (54) and Surovtsy (1 person) villages, total population 946.*



### Taking chances

Until the middle of the 2000s, Andreevka was a typical depressed village. Vera Bolotova became the head of the village in 1995. But only after the reform of the municipal self-governance, which took effect in 2005, the Andreevka Rural Settlement was formed and Vera was elected as its head. The new law made it possible to make local decisions regarding infrastructure and community life.

With a constellation of a few factors and good leader skills, Vera managed to set the village on a path of development.

1. In 2005, a National project for the Support of Agriculture was established and Andreevka with local former Kolkhoz received some financial support.
2. In 2007, a local oligarch set up an agroholding in neighboring Belyaevka and constructed gas pipelines that went through Andreevka, making heating cheaper (replacing firewood).
3. Vera Bolotova managed to receive a few grants on behalf of the village that were used, for example, to learn from the experience of the Netherlands in municipal government.



*Vera Bolotova tries to get people to actively participate in the Andreevka settlement's development. Now there are some positive trends. Through this presentation (Hinterland Introductory week 2011) people showed their desire to live and work in Andreevka.*



*Vera Bolotova, head of the Andreevka Village during Hinterland Introduction week, "What I can't stand is when Andreevka inhabitants are humiliated through bureaucracy" (October 2011).*

Andreevka is still highly dependent on often informal support from the former Kolkhoz and the local oligarkhoz in village Belyaevka nearby:

- maintenance of water pipes;
- provision with cleaning equipment;
- community events.

**“Q: Could you now transfer the water pipes to the village administration?”**

**A: They don't want to take them. They are old and we understand that we would be left without water supply if they take them into their responsibility. I would appreciate to abandon them, it's a headache... I could ask them [the village administration] - take them, it is part of your responsibility. But we are living together here, so is it necessary for the community”**

*Lindler, P., Moser, E. 2009. p 10.*

Andreevka shares these problems with many Russian villages. To the extent of their dependency upon big enterprises nearby and government financial support, they don't have potential for development. Vera Bolotova used the grants in combination with the new rights of municipalities to turn Andreevka into a village where people want to spend their lives.

### The case of Andreevka prominently shows two key issues.

1. Significant improvement of infrastructure and local business support could help municipal government.
2. Russian Hinterland needs leaders and well-educated municipal professionals. Under current conditions it can almost survive only through the commitment of people with exceptional enthusiasm and leader skills. There are 20,729 rural and urban settlements in Russia (2010 Census).

# Access to goods and services

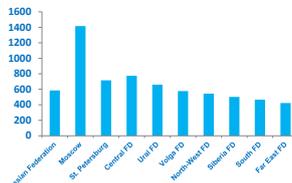
Small scale rural enterprises can play a crucial role in rural development, supporting local budgets and infrastructure, but they face a set of obstacles.

## Potential for rural development

High demand for affordable food in distant areas today can not be met by nationwide or even regional retailers. One key area with development potential is the establishment of effective local production and distribution in rural areas. This would boost the agricultural potential of the Russian hinterland. However, there are structural market obstacles which need to be overcome.

## Serving community development

The "Il'yno-Zaborskoe" company (Semenov Rayon, Nizhny Novgorod Oblast) is basically taking care of the village of 1600 ppl. It supports the village infrastructure and social facilities. The charisma and leadership skills of the director surpass those of the municipal administration. But this is also the fragility of this model, all development is based on the effort and commitment of Alexey Vladimirovich Stepanov, who has the ability to relocate entire families from other regions to Il'yno-Zaborskoe. This is a strong example of effective initiative in the Hinterland.



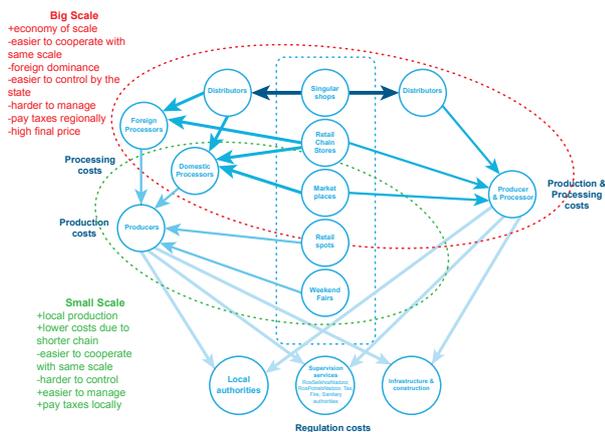
Purchasing power calculated for milk based on average regional income. In the Far East milk is least accessible. (2010, RosStat).

## Increased efficiency of market mechanisms is urgently needed

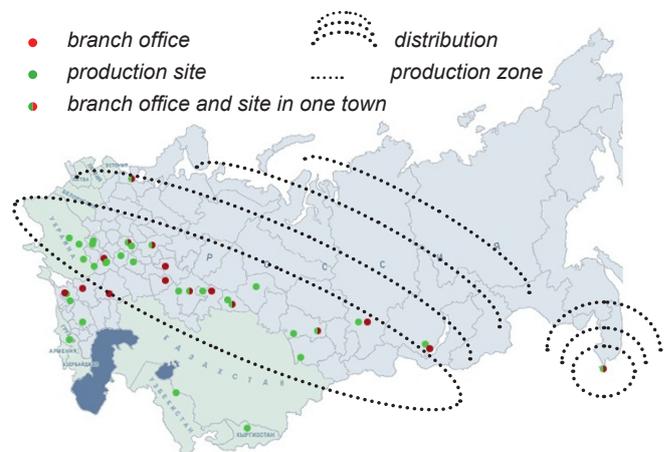
Local markets play an important two-sided role in Russian hinterland. They provide access to affordable common goods, but they also serve as centres of public and community life where people gather to discuss the latest news. Traders who sell on such markets are rarely local. In general, they are a more or less a fixed set of traders operating in a few settlements and towns, moving each day from location to location. For example, in Gorokhovets one can meet a trader from Dzerzhinsk.

Moscow is an ultimate distribution centre for clothes and common goods for most parts of Russia. Goods are taken from here to regional centres and deeper into the country. But since recent fights with large markets in Moscow (the Cherkisovskiy market which closed in 2008), goods are becoming more and more expensive and unaffordable for local residents.

Local markets are commonly a place for people to sell food produced on small, private plots. But today this sector of the market is shrinking too, with price increases needed in order for the market to operate officially. Informal trade is cheap but uncertified.



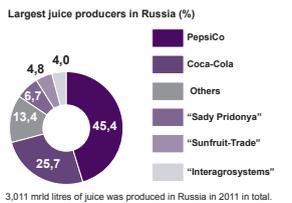
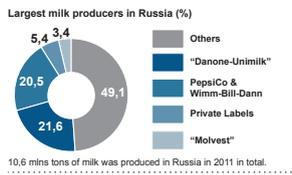
Scheme of Milk Production Chain between producers, consumers and the regulations in between. The length of the chain increases the price and barriers for businesses. (2000s)



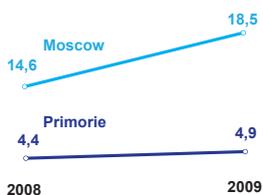
Wimm-Bill-Dann production locations: along the lines of most developed areas (2008, Wimm-Bill-Dann [http://company.wbd.ru/about/geography/])



In 1990 in Vladivostok a regular market opened which quickly became famous and highly popular. Filled with Chinese traders, it offered common consumer goods: clothes, furniture, dishes, lamps, vhs, audio tapes; and also food - Chinese cuisine included. (2012, Hinterland group field trip).



Foreign companies dominate in Russian milk and beverage markets (2010, RIANovosti, Nielsen, Soyuzmoloko, Russian Juice Producers Council.)



Ratio of average income to price of minimum food basket. Average Moscovite income covers 18,5 minimum food baskets, while in Primorie - only 4,5. (2009, RosStat.)

### High initial costs

The start-up cost of a commercial farm is high. There are two main expenses: infrastructure (which is high because infrastructure is generally in poor condition) together with construction costs (which depends on the contractor) and supervision costs (including all kinds of requirements - sanitary, construction, fire safety, production certification, some of which are duplicated by different agencies, making the process costly also in terms of time and effort).

Taking into account the fact that the government is often unable to develop or maintain the local infrastructure and utilities network, only big enterprises can generally develop and maintain the necessary infrastructure, the medium farm in Il'yno-Zaborskoe is one of exceptions. It is important to develop small and large businesses jointly.

### Reaching the consumer

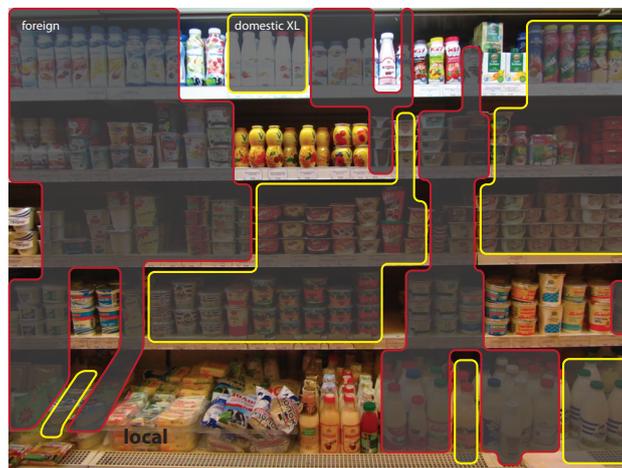
It is much harder for small or a medium-size producers to enter the retail market, which is strongly dominated by big producers and processing corporations. There are generally foreign and large retail-chains, offering low prices with which only other large companies can compete. Low prices for raw-milk can undermine opportunities for business in this sphere.

May 2012 The Union of Milk Producers in the Kurgan Oblast asked Danone-Unimilk not to reduce raw-milk prices for spring-summer 2012 as was planned. The market mechanism favours big enterprises rather than small: they are more powerful in defining prices and market policies.

According to the PriceWaterhouseCoopers report on Russia for 2004-05, Russian companies were leaders in several segments of the food industry: Wimm-Bill-Dann in dairy products; APK Cherkizovsky in meat products; Krasny Oktyabr and Sladko are both strong players in the confectionary sector, although Mars and Nestle are leading the market. The sectors where international companies dominate are the brewing (Baltic Beverages Holding (Baltika), SUN Interbrew, Efes Beverages Group) and the tobacco sector (Philip Morris, Japan Tobacco International and British American Tobacco).

Since Wimm-Bill-Dann was bought by PepsiCo (2011), and Unimilk merged with Danone (2010), the dairy market is predominantly in the hands of foreign companies.

Also, in the milk market foreign companies occupy a significant share of production, in terms of market space. Although they went from 44,7% to 42,1%, giving a tiny bit more space to regional and local producers. Most of the milk market is now foreign-owned, but production is domestic. Usually food processing corporations establish their own farms or cooperate with big agricultural enterprises. It's more difficult for them to cooperate with local small- and mid-size farmers: they all offer different prices, while it is less costly to deal with a supplier whose price is uniform.



The average Moscow supermarket dairy shelf: about a third of the products are produced by foreign companies, one third by leading Russian corporations (which are generally owned by foreign companies) and less than a third by local producers (2012)

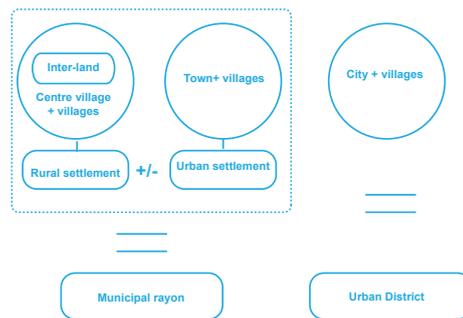
**6 mln rub/year  
= municipal budget  
of a 4000 ppl  
town**



**6 mln rubl/year  
= budget of a  
rural school for  
40 students**

*Interview with Kologriv Mayor  
(Kologriv, 2010. Higher  
School of Economics Summer  
Sociological Practice.)*

## Administrative Context



*There are 23,907 municipal units in Russia  
(RosStat. 2010.)*

The effective and positive role of the local government or administration is key for successful local development. Today many municipalities and settlements struggle with the new budget and responsibility regulations that were introduced in 2003. The only way to overcome this situation is often to informally interact with big businesses nearby.

The administrative system should facilitate effective decision making and decision implementation. Municipal administration today is responsible for the infrastructure that both people and businesses use, and it is also responsible for local social and civic activities, as well as ecological projects. Overall, too much in terms of the finances/responsibilities ratio.

The federal government regulates the distribution of finances across regions, municipalities and settlements. The regional government controls only 20% of its total income, the rest goes to the federal budget. The settlement mainly receives taxes from property and land, which is usually cheap in the periphery, while from personal income taxes 70% goes to regional budget, 20% to municipal, and only 10% - to the settlement's.

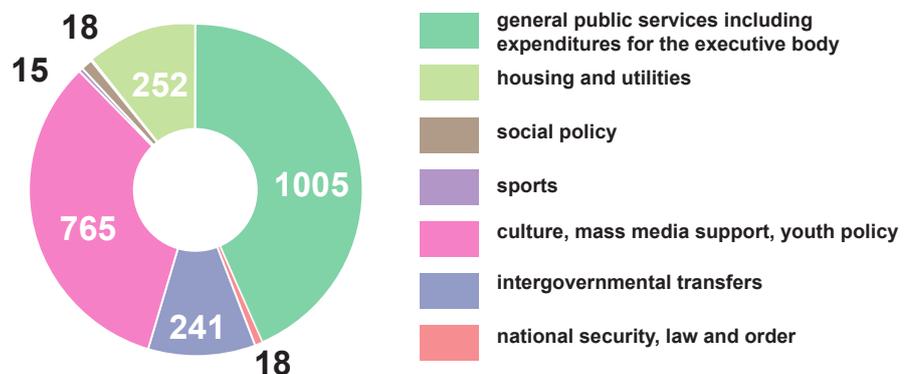
Budgets are allocated regularly at the federal level, and the formulas by which they are counted are not clear. Often it is not so much about official regulation, as it is about lobbying and negotiations. An example of the uneven distribution of finances is the Surgut rayon, which gives two times more taxes than its neighbor, but receives two times smaller municipal budgets.

Local budgets are hardly enough to sustain what municipalities have in their responsibilities, and they have no space for development strategies. Development as an activity to apply human and financial power, is not even included in the official regulations. Only the regional level has the potential to implement development projects. Community and NGO activity become crucial in such situations.

*In general, most of the municipal budget of Andreevka is spent on maintenance. All budget items are strictly fixed and there's no finance allocated for territorial development.*

*(2008 Centre for Fiscal Policy)*

### Andreevka Municipal Budget in 2007 (RUB per capita)



*Lindler, P., Moser, E. 2009.*



Andreevka municipality with its head, Vera Bolotova (2008)



The only land connection between the regional center - Kologriv - and surrounding villages is a bridge screaming for repair. Town and regional administrations are still arguing who should pay for the work.

(Kologriv, 2010. Higher School of Economics Summer sociological practice).

### “Self-ungovernance”

The law on Municipal Self-governance, which was implemented in 2003, has since had more than 100 follow up corrections. Reform had to be finished by 2009, but was not. The main issue was lack of resources to implement it fully. Before the reform, two main issues of administrative system in Russia were duplication and controversies in regulations.

The self-governance law introduced more authority on the local level, but at the same time centralized budget allocation. So the law in fact centralized the budget system at the same time aiming to diversify responsibilities to lower levels of governance.

### Incompetent bureaucracy does not help

25% of municipal administrators do not have higher education, and only 20% are younger than 30 years old, according to the Minister for Regional Development. As for the management staff, Yuri Plusnin who covered more than 100 municipalities in his research, defines four types of municipal managers present in Russia today.

More skilled:

- Former high-level, Soviet-system employee, former heads of executive committees
- Former heads of Sovkhoz, workers, who occupied management positions

Less skilled:

- Administrators who got their positions in the 1990s but sought the position only because of the status.
- Social sphere employees who are respected by the community (doctors, teachers). They usually lack required education and managerial skills.

In general, before the 2003 reform, human resources of the local administration were scarce. The administration lacked education, skills and knowledge. Inefficiency could cause budget losses of up to 30%. The biggest deficit in rural areas is skilled managers and people who can provide the population with relevant information on the management of finances, audit, credit and other specific knowledge areas. Often they lack basic economic and administrative knowledge, but especially they lack managerial knowledge and skills that are needed to organize and motivate people.

### Local Self-Governance: Provision of Goods and Services

highlighted are the most difficult to fulfil

#### Main responsibilities of municipal areas:

- provision of preschool, primary and secondary education
- provision of health care in hospitals, maternity care, and ambulance services;
- municipal police
- protection of the environment;
- waste management:
- maintenance of rayon libraries
- organization of recreational, cultural and sport events;
- provision of electricity and gas;
- construction and maintenance of roads between settlement areas;
- provision of public transportation between settlements

#### Main responsibilities of rural settlements:

- delivery of housing including electricity, heating, water, gas, street lights and waste collection;
- construction and maintenance of low-income housing for low-income households;
- provision of basic fire protection;
- maintenance of cemeteries;
- maintenance of parks and gardens;
- maintenance of settlement libraries;
- organization of recreational, cultural and sport events and activities for teenagers
- construction and maintenance of settlement roads;
- provision of public transportation within the settlement areas.

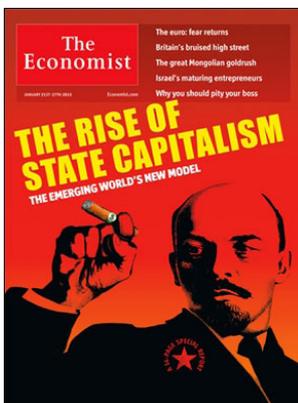
Rural settlements are now responsible for the development and maintenance of all utilities and infrastructure, and cultural facilities in the settlement. Maintaining and developing all settlement infrastructure and utilities is not realistic on the existing municipal budget. For example, the yearly budget of Andreevka is approx. 1,400,000 RUB (\$44,000) in 2011. (2008: centre for fiscal policy)

Lindler, P., Moser, E. 2009.

## Emergence of space in Russia

“The development of Russian space both in Tsarist and Soviet times was distinctive in making the development of heavy industry a central factor of territorial development. Development of facilitating industries and services was dragging far behind.”

Kuznetsova T. 2010



“It is one of the paradoxes of our Constitution: all subjects are equal, but some of those equal are parts of other equally equal”.

Petrov, N. 2004

Confusion of time with the neighbouring countries due to different time zones is an obstacle for international collaboration. Moderating these differences could positively affect the growth of the Russian Hinterland that is close to border.

### Soviet legacy

The Soviet approach to spatial development was a mixture of two key factors. The first is that development in a country where the entire system (party, administration, industry) is so unified that the understanding of different spaces (social, political, economical, cultural) having its own internal logic and foundation for development did not exist.

The second is that in the USSR, the vast empty territories were sporadically industrialized through large-scale projects such as Belomorkanal or BAM. Infrastructure was developed only as a side-effect of these projects. Today we can see that these aspects of the Soviet approach remain prominent in the decision and policy making process of the current government.

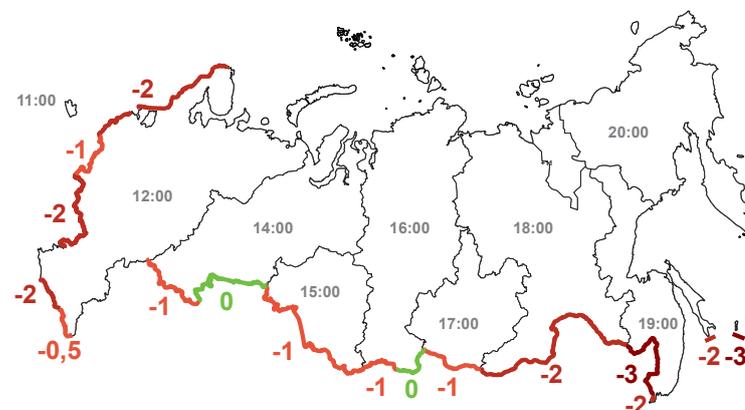
### Russian state capitalism

Vladimir Putin claims that Russia's governmental system is unstable and vulnerable, and that is the reason he wants to build strong and stable structure that could survive without manual control. The country is still recovering from the collapse of the USSR, catching up with its image as the global leader. Large investments are required to stimulate economic growth and they are gained mainly through resource export. There's no secret that this policy made the country's economy resource-based and liable to unstable world resource market. To overcome this, such reforms as the 131 law of Municipal self-governance were introduced, aiming to reduce the federal government's load. But those reforms are unable to overcome the structural dependency that grew out of all the previous policies.

### Uniform approach

The main national weapon of development, namely large scale resource-based projects, disregard the specificity of local development potential almost entirely.

Further centralization can lead to very unwelcome consequences: a) autocracy as a side effect of attempts to govern such a huge country centrally b) huge administrative failure because of lack of governance resources.



Difference in time along the border with neighboring countries (2012)



Vladivostok and the new bridge, view from the ferry to Island Russki. (2012 Hinterland group field trip).

### The federal territorial development policy prioritizes resource industry and foreign policy.

Today federal policy looks east. The newly established Ministry of the Far East Development will aim to make Russian Far East into a development centre equal to Asia (China, India) through the development of the energy market. The government mobilizes eastern oil and gas resource centres, such as Yakutia. Oil resources in Yakutia were estimated in 2001 to be 120 mln tons. First steps to develop them were made in 2008. Development of oil and gas was given to "Rosneft", "Transneft" and "Gasprom". Yakutia will be a part of the East-Siberia - Pacific Ocean oil pipe line, that will create new resource market opportunities. To support the development of Far East, the APEC summit was brought to Vladivostok, and such institutions as the Ministry of Far East development were established.

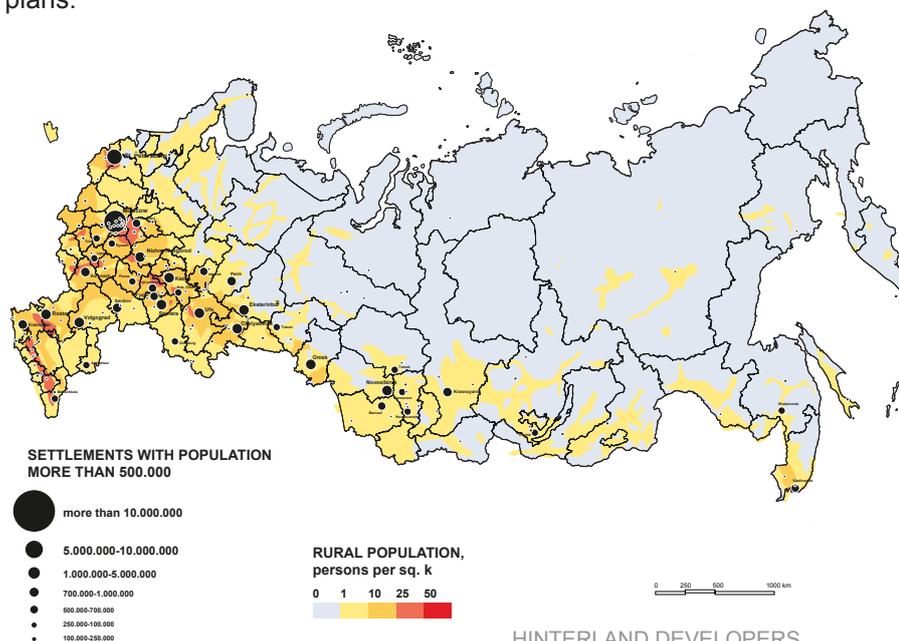
The government proclaims that such large projects as the APEC summit will bring good infrastructure and investments to the areas involved. But campus on the Russky Island doesn't have enough residential facilities and those that it has, are far more expensive than those existing in the city. So the solution to move to the APEC campus somehow does not inspire Far East Federal University students. The transport problem, which will inevitably arise (a new bridge is unlikely to cope with daily transportation of roughly 40,000 people to and from the island), has also not addressed.

### Farmers are dependent on unstable subsidy policies

Large- and middle-sized farms are highly dependent on federal and regional subsidy policies. Small enterprises are almost impossible to start and maintain. For example, Alexey Stepanov's business in Il'yno-Zaborskoe, Semenov rayon, Nizhny Novgorod oblast consists not only of a milk farm and flax fields. He expanded and diversified it to increase business stability: started up charcoal and plywood production. This businesses is lucrative, and its generated profits create a foundation for development, but two problems occur. 1. It is highly dependant on it's leader – A. Stepanov. 2. It depends on federal and regional agribusiness support policy. Without milk subsidies, with the current level of expenses and involvement in local community life, the farm wouldn't survive.

But it is not clear whether subsidies will continue to be provided, or will be cancelled, for any new ministry appointment could change it all. In the end, businesses are unable to steadily grow even when there is some short-term potential. Federal and regional governmental support for agriculture (especially in the form of subsidies) is unpredictable, which makes it difficult to set any long-term plans.

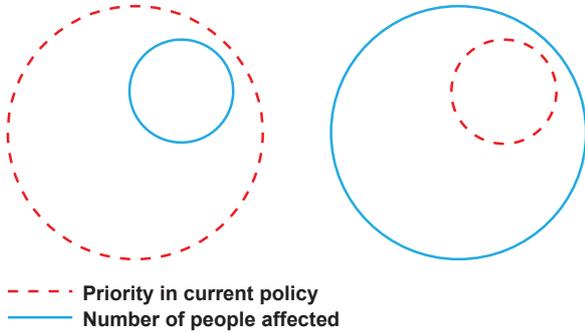
Territory which is least populated is used as a huge resource deposit. Rural areas have almost no opportunities for intrinsic development, because their dependence on large enterprises is structurally embedded in the current administrative and market regulations. (2012, Big cities and density of rural population in Russia)



## Need to reconnect

**National spatial development policy:** currently resource-export based economy

**Regional sustainable development potential:** agribusiness, light industry, infrastructure



Many of the issues the Russian hinterland faces stem from ineffective governmental structures and regulations. These structures and regulations in turn have origins in the priorities of federal development policies, which do not focus on using local development potential to the fullest, but make small-scale enterprises and municipalities dependent on one source of power (and money), which is federal. This dependency causes disintegration on the local levels, and people leave the countryside in general and move closer to regional and country centres. What the Russian hinterland needs is an opportunity to reconnect different scales of administration and business in a way that would enact intrinsic local as well as overall country development.

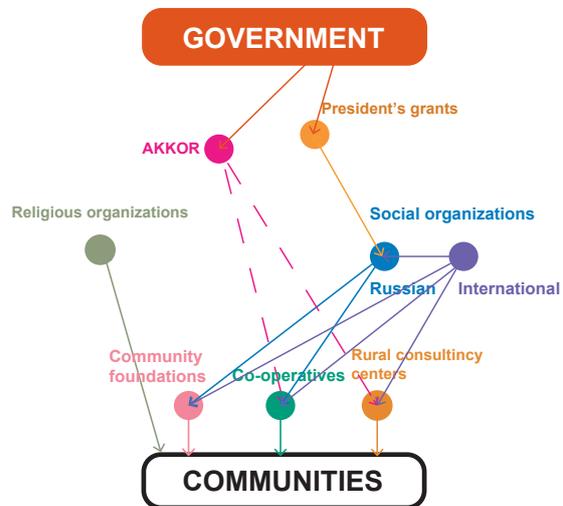
## Need to share

### The patchwork of rural development



Community foundation "Partner Council" and NKO "Zeleniy dom" are rare examples of social organizations with broad networks at the country level as well as at the level of international organizations. In most cases, rural developers are much less interconnected.

### Rural developers between community and Government



Federal-level social organizations, such as AKKOR (Association of Farmers and Agricultural Co-operatives of Russia), are very formal. They have some political influence, but they lack connection with local level and do not participate in the community life. Other rural developers, such as co-operatives and rural advisory centers, are more problem-oriented although the entities are disconnected and rely on their individual leaders.

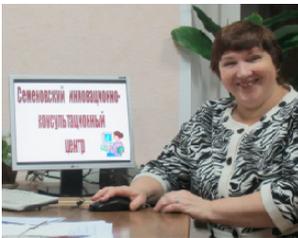
None of these models of rural developers are really sustainable. They either have political influence and no attachment to local communities (AKKOR), or they are involved in community life with no power. Thus, none of the above-mentioned types of developers combines the two crucial components of civil society: local expertise and political connection.

## Integrating Russian Hinterland

The current investigation suggest that there are 5 types of hinterland in Russia.



Stepanov Alexey, Director of "Il'yno-Zaborskoe" company



Galina Baldina, Head of Semenov Advisory Centre

Small enterprises such as Il'yno-Zaborskoe need resources to establish processing facilities, which would widen retail opportunities. Complex measures of administrative adjustment could partially relieve the enterprise of the burden of infrastructure, releasing resources for other important community projects and lessening business' dependency on subsidies.

Effective communication between different kinds of rural developers could increase the efficiency of their work dramatically.

Information support plays a very important role in matters of increasing the self-government and self-activity of the population. Here a gap is visible. The Semenov advisory centre could inspire and help many other settlements all over Russia if their experience would be properly multiplied, and they could learn from other models of development in return.

There is a need for an effective translation of these models, and an information campaign about the development of self-government across Russia. The campaign could include documentary films about successful organizations, short clips with explanation of work' principals of organizations, s special site where people could find information first hand: where people can share their experience and where they could meet like-minded persons.

### Conclusion

The Semenov rayon is located on the border of Thinning and Resource zones, which both face a growing wilderness and a decrease in population. However, the Semenov rayon is developing due to strong leadership from the Rural Advisory Centre and farms, such as Il'yno-Zaborskoe. The Rural Advisory Centre helps the local community to build solidarity and solve socially significant problems. It also supports businesses' development with judicial and economic recommendations and advice concerning agricultural technologies that help to improve productivity. The Il'yno-Zaborskoe company is diversified and growing, and to keep valuable workers on the site, it supports the entire settlement with social infrastructure and utilities. In this intertwined way, the joint efforts of small business overcome structural obstacles set by the current federal development paradigm.