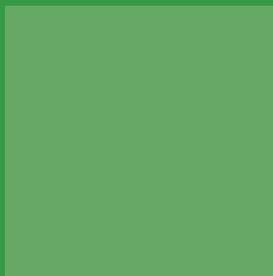


Ministry of Finance of the Russian Federation
International Bank for Reconstruction and Development
Project “Strengthening Initiative Budgeting in the Russian Federation”

INITIATIVE BUDGETING

RUSSIAN EXPERIENCE
OF CITIZENS’ PARTICIPATION
IN ADDRESSING LOCAL ISSUES



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The present publication is an overview of Russian experience in the development of initiative budgeting in Russia that implies a totality of practices aimed at citizens' engagement in the budgeting process. They are based on the general philosophy of citizens' participation as well as public and municipal regulation of citizens' participation in the selection of projects financed from the budget and follow-up public control of projects implementation. Disclosed in the given work is the historic background of initiative budgeting in Russia as well as the main practices – the Local Initiatives Support Program of the World Bank and Participatory Budgeting of the European University in St. Petersburg. The authors also describe institutional, public administration, financial-economic and social effects, and propose a roadmap for the development of this area.

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The authors target a wide audience, including federal and local authorities, business representatives, population and expert community.

All judgments, interpretations and conclusions presented in this publication do not necessarily reflect the opinions shared by executive directors of the World Bank or national governments which they represent.

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GLOSSARY

- **“BUDGET FOR CITIZENS”** – a simplified version of a budgetary document that draws on simplest formats of budget data to expedite the budget understanding for citizens, explain the plans and actions of the Government during the fiscal year to them and show them forms of possible engagement with the government on matters of public finance spending. In the Russian Federation “Budget for Citizens” is also the name of the joint project of the Open government and the Ministry of Finance that consolidates the federal government’s measures to ensure the lucidity of and access to budget data, citizens involvement in making budgetary decisions and raising the budgetary literacy of the population.
- **INITIATIVE BUDGETING (IB)** – the concept used in the Russian practice to signify the totality of practices used to involve citizens in the budgeting process, with a common philosophy of civil participation underlying them, as well as the spheres of public regulation of people participating in choosing the projects to be financed from the budget and subsequent control of selected projects’ delivery.
- **INSTITUTE OF VILLAGE ELDERS** – one of the forms of local self-governance; village elders are to organize people for emergency response, assuring fire safety, starting public order enforcement volunteer formations, active participation in the cleaning of grounds and site improvement, helping to arrange people’s leisure and recreation. Village elders have the right to submit issues for discussion and review by local MPs and rural administrations. The village elder is the key connecting link between residents and administration.
- **CONSULTANTS** – employees of the projects center in charge of support, control and monitoring of the initiative budgeting process.

- **CROWDSOURCING** — involvement in addressing some of the issues in the production activity of a wider circle of stakeholders for tapping into their creative potential, expertise and experience; this is done ex gratia using IT.

- **“PEOPLE’S BUDGET”**
 - 1) a project of participatory budgeting based on the model of European University that has been implemented in the city of Cherepovets (Vologda Oblast) since 2013 and allows the city dwellers to be directly involved in the municipal budget allocation;
 - 2) (also **“PEOPLE’S INITIATIVE”**) – a program launched in a number of Russia regions in 2010-2011 with support of the all-Russian political party “United Russia” and All-Russian People’s Front (ONF), proposing the citizens’ involvement in the discussion of budgets on the federal, regional and local levels. Most initial “people’s budgets” were limited to the only cycle; however, in Irkutsk, Tula (“People’s Budget”) and Tambov (“People’s Initiative”) regions the practices were extended and improved. As the practice kept evolving, co-financing of projects by a local community emerged in Tula and Tambov regions and the typology of projects was significantly widened.

- **OPEN BUDGET (OB)** – a public policy of providing information about the budgets of different level, understandable for citizens, as well as the philosophy of involving citizens in the process of generating budget revenues, identifying priority areas and drafting budget spending alternatives – proposed by federal and local officials.

- **PARTICIPATORY BUDGETING**
 - 1) (**PB**) – a common international designation of citizens’ involvement in decision-making regarding the priorities in budget spending, its criteria being: the discussion of budget-related issues; involvement of local self-government officials; serial implementation process; public discussion as part of special meetings, commissions, Internet platforms; public reporting.
 - 2) (**EUSP PB**) – the initiative budgeting practice based on the global experience of participatory budgeting adapted to Russian realities, developed and implemented by the European University in St. Petersburg.

- **PARTICIPATORY DESIGN (OR CO-OPERATIVE DESIGN)** – the process of design involving citizens, public administrators, business, investors and other stakeholders for discovering true problems and needs. Centers of co-operative design serve as the platform of the architect’s information engagement with local communities, government bodies and investors.
- **PARTICIPATORY MANAGEMENT** – a management concept based on the empowerment of employees to make efficient decisions on matters important for performance of the company and its staff. Participatory management enables the workers to share in a company’s liability, risks and success.
- **PROGRAM OF INITIATIVE BUDGETING** – a range of actions and measures called to address local and (or) regional issues through the involvement of citizens and entrepreneurial community in the budgeting process and decisions.
- **LOCAL INITIATIVES SUPPORT PROGRAM** – the practice of initiative budgeting developed by the World Bank and based on a mechanism of direct citizens’ involvement in solving various problems of local importance.
- **PROJECT “STRENGTHENING INITIATIVE BUDGETING IN RUSSIA REGIONS, 2016-2018”** – a joint project of the Ministry of Finance of the Russian Federation and World Bank, aimed at the support, development and promotion of initiative budgeting practices in Russia from 2016 to 2018. As of 2017 some 43 Russia regions participate in this project.
- **PROJECT “COMFORTABLE URBAN ENVIRONMENT”** – a priority project operated by the Russian Ministry of Construction, Housing and Utilities of the Russian Federation since 2016 and aimed at promoting municipal development programs with regard for public opinion and local public authorities, implementing a mechanism of supporting municipal development activities initiated by citizens, financial participation of citizens and organizations in the said activities, public control instruments, etc.

- **PROJECT CENTRE** – organizational structure carrying out methodological, research (analytical), monitoring and consulting functions within the projects of creating and supporting initiative budgeting programs and practices.
- **PUBLIC HEARINGS** – these can be organized by heads of municipal entities in accordance with Law 131-FZ for discussing draft municipal statutes on matters of local importance with local communities involved. Public hearings are initiated by a local community, a representative body of the municipal entity or the head of a municipal entity.
- **SELF-TAXATION** – Law 131-FZ construes self-taxation as one-off payments of citizens for the sake of addressing specific issues of local significance. All residents of a given municipal entity usually enter the same amount with the exception of some citizens whose number shall not exceed 30% of the population and who can enter a smaller amount.
- **IB-ALLIED (RELATED) PRACTICE** – a practice similar to initiative budgeting that nevertheless does not meet the criteria of participatory mechanisms and procedures.
- **SOCIAL INVESTMENT FUNDS, SIF** – projects of the World Bank in developing countries, aimed at aiding the government in its efforts to improve the coverage and quality of social security, health care and education services.
- **TPSG (territorial public self-government)** – self-organization of citizens by their domicile in part of the settlement territory, urban areas in cities of federal importance, municipalities or intra-urban districts, taking charge for independent implementation of their own initiatives in addressing local issues.
- **INITIATIVE BUDGETING CENTER** – coordination center of initiative budgeting at the Scientific Financial Research Institute (NIFI) of the Ministry of Finance of the Russian Federation.

ACRONYMS AND ABBREVIATIONS

BRICS	A pool of five states: Brazil, Russia, India, China and South Africa
CIB	Center for Initiative Budgeting
EUSP	European University in St. Petersburg
IB	initiative budgeting
LISP	Local Initiatives Support Program of the World Bank
MIS	Management information system
mln	million
NGO	non-governmental organization
NIFI	Scientific Financial Research Institute of the Ministry of Finance of the Russian Federation
NPO	non-profit organization
ONF	All-Russian People's Front
PB	participatory budgeting
PB EUSP	participatory budgeting practice implemented by the European University in St. Petersburg
RSFSR	Russian Soviet Federative Socialist Republic
Rub	rubles
Russia MoF	Ministry of Finance of the Russian Federation
TPSG	Territorial public self-government
UNESCO	United Nations Educational, Scientific and Cultural Organization
USSR	The Union of Soviet Socialist Republics
WB	World Bank

Introduction

Initiative budgeting in Russia is developed by the Russian Ministry of Finance within the framework of the Program for Higher Efficiency of Public (State and Municipal) Finance Administration for the Period until 2018, approved in 2013 (hereinafter: Program), as regards the “Openness and Transparency of Public Finance”.

Since the launch of the Program significant results have been achieved in disclosing open and understandable for the population data on the budgets of all levels in the Russian Federation.

Russia’s achievements in budgetary-fiscal transparency were appreciated by the International Monetary Fund, The World Bank and International Budget Partnership drawing the Open Budget Index for more than 100 countries.

The proactive stance of Russia regions in implementing this aspect of the Program allowed them to rise to a new quality level in representation of data about budget formation and execution as well as to organize this work successfully in municipalities.

Meanwhile, with the accrual of open budget data, including in the form understandable for citizens (budgets for citizens), the need to increase their practical relevance for the end consumer is getting clearer.

Developing in parallel, diverse practices of civil initiatives spurred the interest of citizens not only in budget figures, but also in the mechanisms of identifying the priorities in budget spending. Moreover, it is the opportunity to influence reallocation of public finance in favor of addressing urgent problems faced by residents of a specific municipality that triggered the replication of these practices in the regions.

Realizing the importance of initiatives taken by the Russia regions and municipalities while rethinking the social and economic effect of citizens' involvement, the Ministry of Finance initially decided not to create any universal methodology.

Instead of top-down regulation, a range of measures was developed in close collaboration with the World Bank, to encourage the practices of citizens' involvement in the budget process by training regional and municipal authorities as well as civic activists to build effective interaction in the course of budgeting and local budget execution.

The need to generalize various grassroots practices of involving citizens in settling local issues led to the emergence of the universal term "initiative budgeting" (hereinafter also IB) that means *the totality of practices used to involve citizens in the budgeting process, with the philosophy of civic participation underlying them, as well as the state and municipal regulation of citizens involvement in the selection of projects financed from the budget and subsequent control of their delivery.*

The data provided by the Russia MoF and daily generalized as part of the query about the best budgeting practices for citizens in the Russia regions show the caliber of initiative budgeting. In 2016 alone 8,732 IB projects were implemented in the Russian Federation – their number had increased 3.3 times year-on-year, with 35 Russia regions declaring the delivery of IB projects in their territory. The cost of those projects neared 7 bln rubles against 2.4 bln rubles a year earlier. The total co-financing of state budgets from all sources (municipalities, citizens, business) exceeded 1.8 bln rubles. Other regions are getting ready for implementation of IB practices as well; specifically, 47 Russia regions are involved in the development of initiative budgeting in their territories.

The interest of various regions in IB practices can be explained by several reasons. First of all, initiative budgeting proved an important resource for the development of local self-governance in urban and rural settlements. It is via regional IB programs that many of them raised so long anticipated development funds. Secondly, initiative budgeting proved an important instrument of raising the efficiency of budgetary spending. Thirdly, the procedures of citizens' involvement in the selection and delivery of projects for which public funds can be allocated produce a wide range of socioeconomic and managerial effects. Not only do public funds help addressing certain civic problems; they also instill in local communities a sense of responsibility for their settlements.

But perhaps the main reason for successful development of complex IB mechanisms in this country is the joint efforts of its various stakeholders: public and municipal authorities, citizens, non-profit organizations, local business, expert community, project centers with consultants. IB allows practical realization of the public-private partnership scheme which takes into account the entire diversity of interests. At the present time a range of government support measures is being formed, one of its results being the IB fundamentals being enshrined in the law.

Given the aforementioned factors, the experience of citizens' involvement in forming the public infrastructure and budgeting decisions in the Russian Federation is highly important. This experience needs to be comprehensively studied, as it can be replicated in the countries having a similar to Russia socioeconomic environment.

Chapter 1

**Initiative budgeting
in Russia:
background**

1.1. Historical context

The demand for programs and projects implying the involvement of the population in settling the issues of local importance can largely be explained by changes that occurred on the local level in late Soviet and post-Soviet years.

The starting points for those changes were: the USSR law “On general fundamentals of local self-governance and local economy”, dated 1990, and the RSFSR law “On local self-governance”, dated 1991. They distinguished between the powers of local councils and administrations, introducing judicial and other guarantees of local self-governance. In fact, a legal basis was created for transformation of local authorities from a lower tier in the Soviet system of public authorities, subordinate to the upper tiers, into a self-contained institute of local self-governance¹.

The new Russian Constitution adopted in 1993 formally enshrined the independence of local self-governance, electability of representative government bodies and heads of administrations. It was established that local self-government bodies independently manage municipal property, drawing up, approving and executing the local budget, set up local taxes and dues, enforce public order along with addressing

Box 1.1. Administrative-territorial and budgetary system of Russia

The Constitution proclaims Russia a federative state comprising 85 subjects: republics, krais, oblasts, cities of federal importance, autonomous oblasts and districts. These six types of subjects have equal rights, their administrative borders enshrined in federal laws. Each subject of the Russian Federation is free to establish the internal division.

The subjects of Russia are divided into municipal entities following a two-tier principle. The law allows for 7 types of municipal entities: rural settlement, urban settlement, municipal rayon, urban district, intra-city territory (intra-city municipality), cities of federal importance, urban districts with intra-city division, intra-urban districts. As of January 1, 2017, there were 22,327 municipal entities in Russia, including 567 urban districts, 1,784 municipal rayons, 19 intra-urban districts, 267 intra-city territories in the cities of federal importance and 19,690 settlements, including 1,589 urban settlements and 18,101 rural settlements.



¹ Certain conventionality of the “self-government” concept is preserved, given that local issues are addressed to a certain extent by regional and federal authorities, whereas financing comes not so much from local taxes and dues, as rather from regional and federal budgets.

The budgetary system of Russia represents a totality of budgets on all levels as well as public off-budget funds based on economic relations and the political system in Russia. It functions on three basic levels: 1) federal budget and the budgets of public off-budget funds, 2) budgets of Russian subjects and territorial public off-budget funds, 3) local budgets. Besides the above-listed types, there is also a consolidated budget as a total of treasuries at all levels in a given territory.

The draft federal budget and draft budgets of public off-budget funds in the Russian Federation, a Russian subject and draft territorial public off-budget funds are drawn up and approved for three years: the next financial year and the planned period. The financial year, like a calendar year, lasts from January 1 to December 31.

other issues of local importance. The Constitution authors allowed for direct expression of people's will, which laid the legal foundation for the subsequent development and realization of various practices aimed at citizens' involvement in direct decision-making on local matters.

The provision that local communities can directly participate in decision-making on local matters further evolved in Federal law #131-FZ, dated October 06, 2003 "On general principles of local self-governance in the Russian Federation". Chapter 5 of this law outlines several forms of citizens exercising of and participation

in local self-governance: gatherings, meetings and conferences of citizens, territorial public self-government, public polls and other formats legitimizing the realization of participatory grassroots democracy principles. Later the general meeting of citizens would become a key link in the project selection mechanism within the framework of the most widespread practice of people's participation in addressing local issues in Russia – the Local Initiatives Support Program (hereinafter: LISP). Thus, the gradual expansion of powers at the grassroots level made it possible to move away from the old centralized structure of administering processes at the local level.

Yet it was not that easy to fully implement the local self-governance principles implying the organizational-functional autonomy, proclaimed in the first post-Soviet Russian Constitution of 1993 as well as in the initial basic federal laws, and to put an end to the model of monocentric local self-governance. At the same time the legislative empowerment of the local population was not duly backed by ample financial-economic independence of municipalities. As a result, municipal entities were strongly motivated to participate in the programs and practices of attracting additional financing both from upper-tier budgets and from other sources, including

local business and the funds of local population. In particular, LISP implying the subsidizing of local projects from upper-tier regional budgets made it possible for a significant number of settlements to raise development funds for the creation of social infrastructure.

1.2. Initiative budgeting practices

The practices of citizens' involvement in the procedures of budgetary decision-making, developing budgetary policies and addressing the matters of local importance saw rapid growth in Russia about 10 years ago; yet until recently they were not orchestrated by the government which did not support them through effective regulatory measures. The initiatives of public authorities, citizens, NGOs and business remained divergent and lacked coordination in spite of the potential synergy effect in case of their alignment. Therefore, the potential of citizens' involvement was not fully unlocked.

The ongoing coordination of diverse practices of involving citizens in addressing local issues under the umbrella concept of initiative budgeting (IB) is called to give an answer to these challenges. As part of IB, prerequisites are created for citizens to take initiative at all stages of solving local problems as people get the opportunity to formulate a relevant agenda, participate in the decision-making process, control tender proceedings and the course of practical project delivery. Provided in this way is an optimal choice of priorities in budget spending on the regional and local level for addressing local issues.

The evolution of regional IB practices in Russia were mostly influenced by two models: Local Initiatives Support Program (LISP) of the World Bank and the participatory budgeting model implemented by a design group of the European University in St. Petersburg (PB EUSP) assisted by the Kudrin Fund for the Support of Civil Initiatives.

LISP is the most widespread IB model today, having the longest track record among Russian IB practices. It was prepared and launched in Stavropol Krai back in 2007 and was then implemented

Box 1.2. IB-allied practices

Besides IB, citizens are involved in the settlement of local issues across Russia via public hearings, territorial-public self-government (TPSG), village elder institute, self-taxation practice. The crowdsourcing mechanism is also actively used to finance private initiatives. There are also some less familiar forms of interaction between citizenry and executive authorities, which have significant potential nonetheless. These are “participatory design” (or co-operative design) and “participatory management”. Each of the above-listed practices has its own goals, objectives, usability, regulatory framework, but for various reasons they cannot be classified as IB practices. Thus, TPSG and the institute of village elders represent local forms of self-governance, public hearings are an awareness-raising mechanism as well as an instrument of involving citizens in the discussion of municipal enactments on matters of local importance. Self-taxation, closely related to initiative budgeting as a form of citizenry involvement in co-financing of budgetary decisions, currently has limited procedures of citizenry participation in problem formulation and implementation of decisions made. Crowdsourcing does not apply to the process of making federal and municipal budgeting decisions. Co-operative design practices, implying the involvement of citizens in the process of making urban planning decisions do not apply to the budget sphere either.

with support of the World Bank in Kirov, Tver, Nizhny Novgorod Oblasts, Khabarovsk Krai, Jewish Autonomous Oblast as well as in the Republics of Bashkortostan, North Ossetia-Alania and Sakha (Yakutia). Among the most important distinguishing characteristics of this practice is submittal of priority projects by citizens at their general meetings, competitive selection of projects based on formal criteria assessing the extent of project support by local communities, and its being fully embedded in national administrative, budgetary and legal systems. LISP projects are carried out on budgetary funds of Russian subjects under mandatory co-financing by municipalities, local population and business. At the present time, the LISP model is actively used in many subjects of the Russian Federation, including without a direct participation of the World Bank.

The model of participatory budgeting has been promoted in Russia since 2013, when its pilot projects were launched – “People’s budget” in the city of Cherepovets and “I plan the budget” in Sosnovy

Bor city. Starting in 2014 the experiment was spread to a number of municipalities in the Kirov Oblast. Since 2016 participatory budgeting also works in St. Petersburg. By now this practice has been implemented in 13 cities and urban settlements of Leningrad, Vologda and Kirov Oblasts. Unlike the LISP, PB EUSP implies the distribution of funds allocated from the municipal budget on the

basis of decisions made by a budget commission comprised of citizens selected by way of random draw, and of municipal officials. Any resident has the right to apply for participation and to be selected via random draw for participation in the budget commission and therefore to have a chance of putting their initiatives into effect. The commission can take budgetary initiatives within the powers of the municipality where it operates. The practice is focused on citizens' immersion in budgeting procedures and direct training of citizens in the fundamentals of township or municipal administration.

Besides LISP and PB EUSP, certain regional practices are also developed within the IB framework. Thus, based on the LISP methodology and proprietary developments, a number of Russia regions and big cities backed by the all-Russian political party "United Russia" and All-Russian People's Front (ONF) implemented the programs "People's initiative" and "People's budget" in 2010-2011. Most successful are programs in Tula, Irkutsk and Tambov Oblasts. The above-mentioned practices have some common features: distribution of budgetary funds on the basis of citizens' proposals, embedding of citizens' participation procedures in the budget process on the regional and local levels, citizens' participation in the delivery of projects and public control of physical security of assets and facilities. Furthermore, some practices rely on co-financing by citizens, local business, municipalities as well as subsidies from regional budgets.

IB programs are normally initiated by regional authorities, the position of governors and regional finance ministers playing a significant role. IB can be effectively organized by other specialized ministries as well, e.g. ministries in charge of economic development (Irkutsk Oblast and Khabarovsk Krai during the two initial years), internal policy, telecommunications and local self-governance (Murmansk, Nizhny Novgorod and Tula Oblasts), social development (Kirov Oblast), agriculture (Khabarovsk Krai), etc.

In most cases the allocation of funds for IB projects is planned within the framework of regional programs and annually approved in budgets endorsed. In some cases, projects are co-financed from other sources. For instance, in Tambov Oblast the program was financed from the Russian Government grant provided for the effective work of federal and municipal authorities, whereas participatory

budgeting projects in some regions were financed from the Kudrin Fund for the Support of Civil Initiatives. It should also be noted that, apart from programs on the regional level, there are municipal IB programs solely financed from local budgets.

1.3. Typology of IB projects

The projects delivered as part of regional IB programs are mainly related at the present stage to the condition and development of social infrastructure, including, along with utilities, roads and engineering services, educational and health institutions, social security and leisure facilities. This typology generally reflects the range of “typical” problems faced by Russian settlements and communities. It is these problems of basic infrastructure development that are most acute in the minds of citizens, sparking public outcry, while their settlement fosters the grassroots trust to local authorities

1.4. Regulatory framework

At the present moment, legal regulation of IB practices is done at the regional level. The set of requisite statutes and regulations includes: the annually updated regional government resolution or governor’s decree as well as the order of program implementation and a set of methodological documents approved by a regional executive authority.

In 2016 the first regional law on initiative budgeting that set the level of annual IB expenditures was passed in Perm Krai. This was a valuable precedent of legal guarantees of the program’s stable financing and annual implementation.

Table 1.1. Typology of IB projects realized in 2016

№	Types of IB projects	Number of projects	Share of projects by types
1	Places of public leisure and amenities	1673	18,1%
2	Motor roads and roadside infrastructure	1344	14,5%
3	Educational and cultural institutions	1035	11,2%
4	Water supply and drainage facilities	1016	11,0%
5	Playground outfitting	819	8,8%
6	Outdoor lighting facilities	805	8,7%
7	Solid household waste and garbage collection facilities	491	5,3%
8	Mass sport and fitness facilities	425	4,6%
9	Events (festivals and similar projects)	425	4,6%
10	Burial grounds	341	3,7%
11	Primary fire safety facilities	257	2,8%
12	Cultural heritage sites (monuments, museums)	191	2,1%
13	Libraries	47	0,5%
14	Facilities providing household services	19	0,2%
15	Other facilities (repairing multi-family houses, bridges, dams, rehabilitation and beautification of reservoirs, providing telecom services, heating supply, sewage, gas lines, etc.)	372	4,0%
Total projects:		9260	

Source: the data of the query from the Russia MoF within the framework of engagement with Russia regions providing information for the Report on Best Budgeting Practices for Citizens in 2016.

Another novelty was introducing initiative budgeting to public regional programs (Moscow, Ulyanovsk Oblasts and other regions) and strategic development programs (Republic of Bashkortostan), which enables a stable process of initiative budgeting development on the regional level.

Presently under way on the federal level is the active discussion of proposals on the content of the Initiative Budgeting Development Program in the Russian Federation, aimed at defining public regulation measures, to create prerequisites and incentives for the development of initiative budgeting in all regions.

In particular, to coordinate the effort at the regional level, it would be expedient to establish new project centers that would support IB programs, train consultants, sharpen the skills of federal and municipal officials, and do research². On the federal level, a coordination center for the development of initiative budgeting is called to function as a center of competences. Among other things, it will provide strategic, analytic and information support.

It is suggested that the IB development program in Russia should be accompanied by an all-round information campaign on federal, regional and local levels, to inform the public about the IB mechanisms and principles, help shaping new values and behavioral models and motivate participation and practical action.

The following three chapters describe in more detail the main IB practices in Russia: LISP and PB EUSP, along with introducing other IB and IB-allied practices.

² In particular, the following models of regional project center organization and financing are possible: 1) project center on the basis of public budget-funded entities or institutions performing their functions as part of the government commission, 2) project center established by structural divisions of public authorities, 3) project center as an independent organization (including non-profit associations) that has won a tender announced by an empowered public authority.

Chapter 2

**Overview
of the World Bank's
Local Initiatives
Support Program (LISP)
practice**

2.1. LISP idea and background

The Local Initiatives Support Program (LISP) is the most widespread IB practice in Russia that was developed by World Bank (WB) experts on commission from the Russian government in 2005-2006. A pilot run of the program was organized in the Stavropol Krai back in 2007 and by now it is being implemented already in a couple dozens of Russia regions. The main idea was creating a technology and practice that will be effective enough to unlock the awesome potential of citizens' participation in local self-governance and in the budgeting process. Tapping into the best international experience in the delivery of development projects through the effort of local communities, the Bank experts succeeded in developing a program based on the direct involvement of local population in defining priority social problems on the local level and preparing projects aimed at their solution.

LISP is about the financial support of projects initiated directly by local communities and delivered as a result of the joint effort by population, authorities and business. The LISP mechanism looks as follows. At the general meetings of citizens in participating municipalities direct voting is used to identify most significant projects aimed at solving some issues of local importance. Such projects can include repairing roads, water supply facilities and community centers, landscaping and territorial improvement as well as other matters within the competence of local authorities. The municipality, together with a group of civic activists, then gets ready a design proposal submitted to the general regional competition. The selection is based on formal criteria that allow to assess the level of demand for a given project from the local population. Based on the competition results, projects get financing from the regional budget.

LISP imbibed the main principles of similar foreign programs – immediate involvement of the population in identifying the problems and their solution, unlocking the potential of local communities and local self-government bodies, their openness and transparency, concentration of practical work on the grassroots level. Another

peculiarity of the Russian program was its being embedded in national administrative, budgetary and legal systems, which creates prerequisites for its institutional resilience.

2.2. LISP cycle

The LISP preparation and implementation stages are clearly structured, being sequential³.

1. At the preparatory stage, the work of regional program design development and approval is done in the territory where LISP is realized⁴ and respective regulatory documents are prepared. The LISP design implies defining of the program's key parameters: coverage, upper limit of applications from one municipality, maximum amount of the regional subsidy per application or per municipality, project selection criteria and suchlike.
2. The approved parameters as well as the Program's general idea, its principles, mechanisms and schedule are made known to municipal officials and specialists participating in the LISP of municipal entities, as part of specialized seminars and workshops. These seminars are held by experts and advisors of the regional project center and representatives of the regional executive authority in charge of LISP.
3. Following the training, heads of municipal entities launch the immediate awareness campaign, highlighting the program, organizing the discussion of local projects of concern to local communities. The given work is more often carried out by way of opinion polls in the form of questionnaires or organizing preliminary meetings by streets, work teams, etc.

³ For more detail about the LISP mechanisms and procedures as well as about the objectives of executive authorities, local self-government bodies and consultants see "Operational manual for the initiative budgeting practice: the example of the Local Initiatives Support Program" / G. Khachatryan, I. Shulga, S. Gridin, A. Sukhova – M.: Alex, 2016 – 88 pages

⁴ Starting with the second year of LISP delivery at the preliminary stage the program design and respective documents are corrected.

4. The final decision of which problem has the highest priority for a given settlement and which project aimed at its solution will be submitted for the general regional competition is made via direct voting at a general meeting of local citizens. At the same meeting people also decide on the amount of local contribution (cash and in-kind) which they will be ready to provide in case of victory in the competition. They also choose 5-6 villagers to participate in the initiative group which will continue direct work on the project.

5. After the meeting the initiative group, together with village administration employees, gets the application ready (including technical documentation) and submit it to the regional competition committee.

6. The Committee reviews applications on the basis of formal selection criteria made known to all LISP participants. Most important criteria in terms of their “weight” are population involvement and co-financing. The population participation is assessed in relation to preliminary meetings and to the final meeting, whereas co-financing is assessed as contribution of the population, local business and village budget. The rest of points are ascribed to such parameters in the application as assured facility management and maintenance following the LISP implementation, the number of recipients (beneficiaries); the number of jobs created, using media for raising the population awareness, etc.

Box 2.1. Sessions of the LISP competition committee

(a) in the Republic of Sakha (Yakutia), 2017



(b) in the Republic of Bashkortostan, 2017

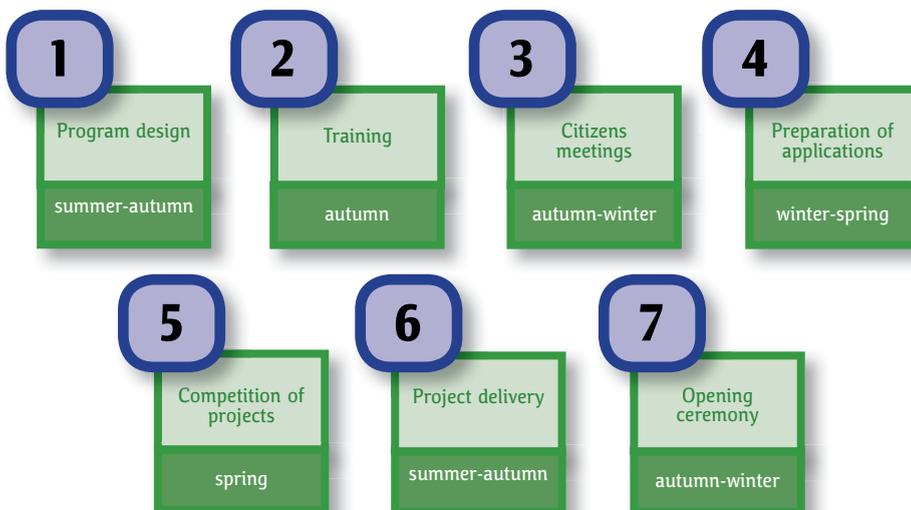


When selecting projects for financing, all applications submitted by municipalities are first ranked by the number of points calculated on the basis of an approved criteria scale. As per the final rating, the projects that score the highest number of points are proclaimed winners. Another criterion is the accrued amount of the subsidy requested from the regional budget, with those projects that do not exceed the limit of funds allocated from the regional budget for LISP having the advantage. The regional competition committee has the right to remove any particular application because of information untrustworthiness. Financing is normally disbursed to 60-70% of all applications as a result of the competition.

1. After the winners are named, the procurement of works and services of contractors commences along with monitoring of the project delivery and acceptance of the works. Financial funds for the delivery of winning projects are allocated in the form of subsidies from the budgets of Russia regions directly to settlement budgets where the funds from all other sources are accumulated.
2. At the final stage of the LISP annual cycle the opening ceremony of facilities in municipalities is conducted and the Program results are reviewed. Reports on projects are collected from municipalities, followed by a final information event with heads of municipal entities involved.

The entire cycle of LISP implementation – from holding meetings to the opening of facilities – does not exceed one year. It's important for enhancing the motivation of participants to complete works within one construction season (see Figure 2.1).

На всех стадиях ППМИ осуществляется техническое сопровождение, включающее информационные, обучающие и консультационные мероприятия для участников Программы.

Figure 2.1. LISP cycle

2.3. LISP results

During many years of implementation in Russia regions, LISP proved its efficiency in achieving the main goals: practical delivery of projects chosen with the participation of communities, population involvement in solving local problems and mobilization of community resources, to address local problems.

Project delivery with participation of communities. In 2016, about 3,000 projects were implemented with more than 5 mln people being their beneficiaries. The typology of projects delivered within the LISP scheme shows that LISP allows the solution of those problems which have the top priority for the population and are related to the part of infrastructure, which is indispensable for comfortable living. First and foremost, these are roads, water supply facilities, community centers (see Figure 2.2).

Box 2.2.

The city of Slobodskoy in Kirov Oblast with the population of 33,000 people has taken part in LISP since 2011, being an absolute leader by the number of winning projects, with more than 160 civil initiatives implemented during this time. Projects in the city are initiated and realized mainly by existing or newly created TPSGs.

The program success here is conditioned on the fact that the city administration provides maximum support for all local stakeholders, including general coordination, training, TPSG formalization, providing technical assistance (preparation of applications, documentation, coordinating co-financing schemes, procurement, technical oversight, etc.)

Not only did participation in the program fully change the cityscape, but, what is most important, it allowed Slobodskoy residents to believe in their potential to address various problems in close cooperation with the city administration.



The LISP is so designed that each region can realize those projects which would meet its specific needs. Thus, in the Kirov Oblast the main type of projects chosen by locals is repairing roads and roadside infrastructure, in Stavropol Krai – repairing recreation centers, in Tver Oblast – water supply, in Khabarovsk Krai – sports facilities (see Figure 2.3)

As most acute problems faced by local communities are thus solved, the focus is shifted to next projects in terms of their importance. Projects delivered as part of LISP during several years generally transform the exterior of a given settlement, improving the situation with social infrastructure in municipal entities and in the entire region. Thus, more than 600 rural roads and about 500 water supply facilities have been repaired from 2010 to 2017 in the Kirov Oblast alone. More than 200 community centers had been renovated by 2017 just in two regions – Tver Oblast and Stavropol Krai. Because LISP targets most acute issues faced by settlements, it is highly appreciated by the local population. Thus an overwhelming

majority believe that LISP projects are very important and useful because of their direct practical benefits (see Figure 2.4).

Population involvement in solving local problems. Every year local communities hold more than 3,000 LISP-related general meetings attended by more than a million people. Even more citizens are involved in so-called preliminary events to discuss projects: public

Figure 2.2. Typology of LISP projects in 8 regions of Russia, 2007-2015 (% of the total number of projects)

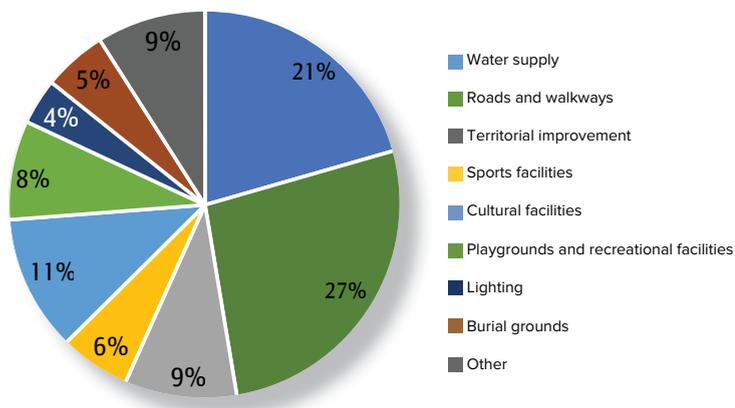


Figure 2.3. Typology of projects delivered by regions in 2015-2016

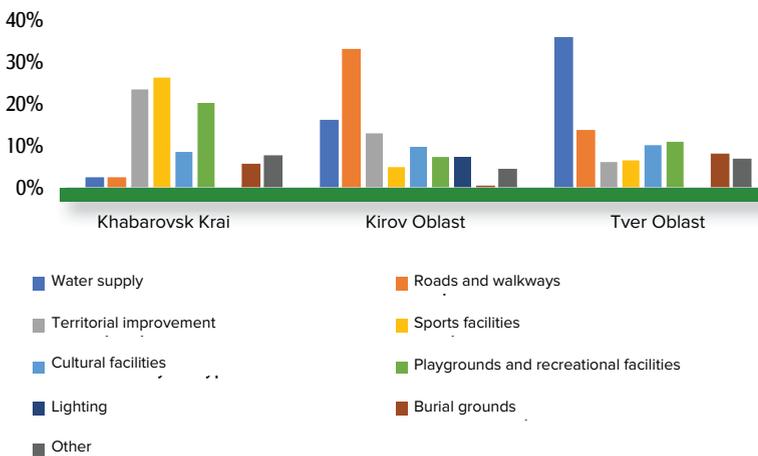


Figure 2.4. Public opinion about LISP results in 2013 by residents of the Kirov Oblast

82% of the population use the project's results on a regular basis

**Question: Do you use the results of the project (works) completed?
(% of the population)**



90% of the population think the problem addressed via LISP was important or very important

**Question: How important is the problem addressed as part of LISP?
(population percentage)**



Source: Sociological survey in the Kirov Oblast regarding the LISP in 2013

Box 2.3.

The Rodnikovskoye village of the Arzgirsky rayon of Stavropol Krai with a population of about 1,000 people is one example of how the cyclical nature of LISP allows the settlements to plan their development and to completely transform the territory during the several years.

Participating in the LISP since 2007, the village almost every year became a winner. This allowed the settlement to solve almost all the problems related to the socio-cultural infrastructure and create a favorable living environment. The first project in Rodnikovskoye was aimed at the reconstruction of the hangar in the sports hall, which became the best sports ground in the area.

After that there were projects for installing a children's playground, repairing roads and sidewalks, territorial improvement and others.



opinion polls, street and house meetings and other meetings in small groups that gather up to 70% of adult population of participating settlements. Direct participation of locals in determining priority problems is the key element of the program which eventually changes people's attitude to their own role in territorial development and increases their trust in the existing local self-governance mechanisms.

The population is involved in LISP projects not only at the stage of priority selection; local communities also directly participate in the project delivery, volunteering in the works that do not require skilled labor, including the dismantling of structures, cleaning of the territory from construction waste, painting fences or providing resources free of charge, such as electricity, building materials and machinery. Normally it is the contribution of free labor by local communities that makes a project truly complete: a flower bed in a children playground, a bench at a new well and curtains in a renovated community center – these inexpensive features make the entire project complete and ready to use.

Finally, involving civil activists in action groups formed by each of participating municipalities also play an important role. These people are a very valuable asset; passing through several LISP

Box 2.4.

In 2016 more than 1,000 meetings were held in the regions that embraced LISP, where people identified priority problems. From 2007 to 2017 more than 5,000 such meetings were conducted.

North Ossetia-Alania, Mozdok rayon, Pavlodolskaya Cossack village



Box 2.5. Grassroots co-financing of projects

Grassroots co-financing of projects (local co-financing) is one of the key elements of LISP. On the one hand, the level of co-financing shows the degree of trust by the program stakeholders; on the other hand, it serves as an indicator of the task prioritizing and selection mechanism efficiency within the LISP framework.

Local co-financing comprises three main sources: population (project beneficiaries), local budget and local business (sponsors). The decision about the population and municipality contribution is made at the general meeting. The funds raised by local residents or provided by sponsors are entered to a respective municipal budget as earmarked voluntary donations.



Other sources of local co-financing are also possible. For instance, in some settlements of the Tver Oblast co-financing was provided by municipal deputies from their own funds earmarked for the development of municipalities. In the Kirov Oblast they used the self-taxation mechanism to raise funds, while in Tashbulatovsky rural settlement of Abzelilovsky rayon in the Republic of Bashkortostan a special charity lottery was conducted to raise funds for repairing the Community center.

Apart from monetary donations by local communities and sponsors, people sometimes perform some of the works free of charge or provide certain materials or equipment.

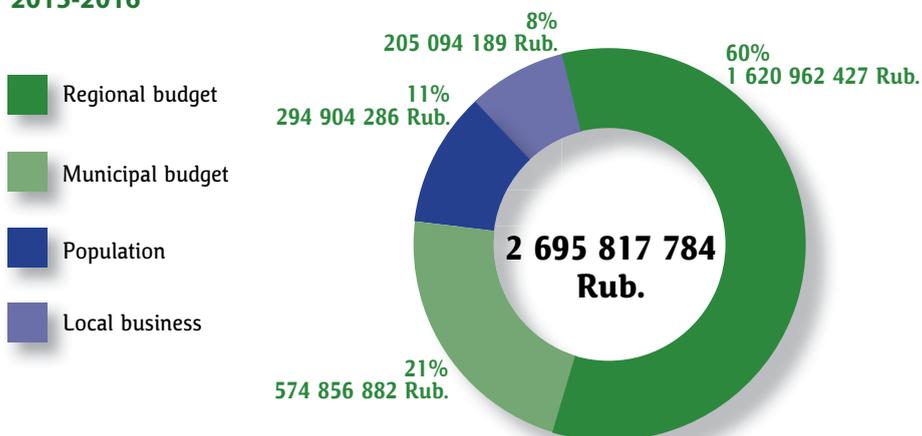
implementation cycles, they become ideally equipped for the delivery of any other projects based on working with locals and involving them in any initiatives.

Attraction of local resources.

The co-financing of local communities (population, municipal budget, business) is an important condition of participation in the LISP. The actual level of co-financing provided by local population and local business shows the relevancy and adequacy of selecting the problems

addressed within the LISP as well as the degree of trust to the program which does not purport to raise as much money as possible from the local population. Any contribution a person can afford shows that he or she is willing to get involved and to participate in the problem solution.

Figure 2.5. Co-financing of projects in 8 regions that participated in LISP in 2015-2016



The parameters of co-financing from all local sources (settlement budget, citizens' contribution, local business support), as part of LISP projects, are very high and keep growing year after year. The minimum contribution from the municipal budget allowing an application prior to participation in the competition in most regions is 5-10% of the requested regional subsidy. The mandatory level of co-financing by local citizens normally does not exceed 3-5% of the project cost.

Yet the actual share of municipalities in the co-financing scheme may average 20%, the share of local communities reaches 12% while local business contributes 8%, on average. Thus, the regional share in the project cost is only 60% or even less in some of the regions. For example, in Tver Oblast and Nizhny Novgorod Oblast the share of regional subsidies in the LISP project cost averaged 49% in 2015 and 2016.

The system of formal LISP criteria motivates the competition participants to contribute as much as possible: the higher the co-financing of the community, the higher score their application will get and the higher the odds that the application will win a regional subsidy.

Yet it is impossible to assure the positive result only by a high level of co-financing. First of all,

Box 2.6.

The project of installing an illumined ski-roller track in the city of Uchaly, Republic of Bashkortostan, is notable for a high level of involvement of all stakeholders: the rayon, the city, population and business.

It was selected after more than a dozen public events, with around 3,000 people participating in the final meeting at the stadium.

With the project cost estimated at about 8 mln rubles, the republic's budget allocated 1.5 mln and the city budget – 1 mln rubles. The cash contribution of local communities amounted to 850,000 rubles. Eight sponsors provided 55% of all funds needed as co-financing, having contributed 4.2 mln rubles.

The project boasts very high quality; its commissioning was turned into a festival, with all city dwellers participating. The track has been actively exploited since the first opening day.



ИСТОЧНИКИ ФИНАНСИРОВАНИЯ:	
	Бюджет Республики Башкортостан – 1,5 млн руб.
	Бюджет ГП «Учалы» – 1 млн руб.
СПОНСОРЫ:	
	ОАО «Учалыские электрические сети» провели монтаж электропроводки трассы на 1,5 млн руб.
	АО «Учалынский горно – обогатительный комбинат» – 1 млн руб.
	ОАО «Форментров» провезет отсыпку полотна трассы (970 тыс. руб.) и дополнительно выделит 100 тыс. руб. на благоустройство
	Учалычане собрали 850 тыс. руб.
	Независимые вклады населения и предприятий – 185 тыс. руб.
	на 100 тыс. руб. изыскал корпоративная ООО «Славянка» (Татарстан)

И В НАСТОЯЩЕЕ ВРЕМЯ НА ПУСКОВОЙ ТРАССЕ ПРИМАКЕТСЯ КОЛОДЕЦ ВОДЫ

the co-financing criterion is balanced by a dozen or so of other application assessment criteria; secondly, there is a threshold above which no points for co-financing are accrued. Usually the maximum possible score for co-financing is awarded to application with local contribution at about 10-20% of the total project cost.

The LISP criteria motivate stakeholders to attract funds not only from the local budget and residents, but also from local business. Quite often this leads to effective mutually beneficial partnerships. The community wins from raising extra funds for project delivery, while business readily invests small amounts in the projects enjoying real support from the population. Public awareness and positive attitude toward these projects are instrumental in building a positive image of businesspeople participating in IB projects.

The LISP project in the city of Uchaly, Bashkortostan (see Box 2.6), serves as a good example of this collaboration. The general meeting of local residents gathered 2,973 people who supported the idea of installing a ski and roller track. A high level of the project support by the population and its high demand among the city residents allowed to raise co-financing from local business in the amount of 4.5 mln rubles (with total project cost around 7.5 mln rubles). The highest contribution was made by the joint-stock company Uchalinsky Electrical Grid (1.5 mln rubles) that covered the cost of the track lighting installation. Today this track is the most popular place of leisure for Uchaly dwellers, with more than 500 people riding on this track daily, summer and winter alike.

2.4. LISP design specifics as success factors

LISP is distinct in some ways from similar development projects abroad, as regards the effort of local communities and a number of municipal practices realized. These distinguishing characteristics are the program's cornerstone, allowing to achieve the results and effects demonstrated by LISP.

First of all, unlike many social funds and development programs through the effort of local communities, LISP is fully embedded in national systems.

- LISP is managed within the Russian administrative system. At the regional level the Program is carried out by competent executive authorities (normally by regional finance ministries), with local self-government bodies being hands-in implementers.
- The program financing is accomplished in strict compliance with the Budget Code within the Russian budget system. Regional subsidies are handed over from the budgets of Russia regions to municipal budgets; financial resources from all other sources, including local co-financing, are also accumulated on the budgetary accounts of municipalities.
- The procurement of works and services within the LISP is carried out in accordance with the state procurement system. The selection and hiring of contractors for doing works in municipalities are performed in accordance with federal law #44-FZ, dated April 05, 2013, "On the contractual system in the procurement of goods, works and services for meeting state and municipal needs."
- The procedure of program implementation, competitive selection, distribution of subsidies between municipalities is regulated by every region (regional government's resolution).

The program being embedded in national systems allows the development and amplification of the existing public and

Box 2.7.

In Tver Oblast working towards the development of competences among the local self-government bodies assumed the form of the annual LISP school.

This is comprehensive training and counselling on the following issues:

- Training citizens and holding community meetings
- Providing co-financing
- Technical requirements for projects
- Formalization of project applications
- Using LISP-Tver MIS.

Already 5 LISP schools have been conducted, with more than 50 training events and 30 participants per each session.



Box 2.8. Project assessment criteria

Project applications are assessed and ranked using the assessment and selection criteria which make it possible to figure the extent to which a project complies with basic LISP principles as well as the expected social effect of its implementation. In particular, the following aspects of the application are estimated:

- population participation in project identification (35-40%). The degree of involvement in preparatory events and in the general community meeting is assessed;
- contribution of local stakeholders (35-40%) – population, municipal budget, private business, other sponsors – in project co-financing (both cash and in-kind contribution is assessed);
- socioeconomic effects (10-15%): the share of beneficiaries among the local population, newly created or preserved jobs, environmental impact, availability of mechanisms and means for an effective upkeep and operation of a project, etc.;
- the degree of openness and transparency of decisions made within a project (5-10%), including media use for informing the population.

The assessment criteria used in LISP are mainly numerable i.e. implying simple calculation algorithms to figure the project score.

municipal administration institutes enshrined in the national law as well as developing the potential of executive and local self-government bodies in the process of hands-on work.

Secondly, unlike many participatory budgeting practices, LISP is based on direct and broad participation of local communities.

Projects and members of the initiative group in charge of their subsequent preparation and realization are directly selected by residents, rather than by a budgetary committee, as in many PB cases. This peculiarity maximally legitimizes the projects and the status of initiative group members, thus allowing the population to feel maximum involvement in the program and its results. The direct involvement of locals in the program preparation and implementation assures high awareness of its goals, objectives and mechanisms among the population, contributes to rethinking of citizens' role in territorial development, bolsters confidence in the existing local self-governance mechanisms and ensures positive perception of the program results by the population.

Thirdly, unlike most IB practices and development through the effort of communities, the selection of LISP projects is based on competition between settlements. The selection criteria do not only include the number of votes for a project (as in most PB practices), but also a number of additional criteria flexibly assessing the demand for the project and the degree of its support by a given community.

As part of the LISP, municipalities compete and this additionally motivates them to prepare quality applications. Moreover, this approach enables to forward financing to those municipalities which mostly need it and are ready to ensure quality project delivery.

Maintaining the share of LISP winners at a constant level of 60-75% or higher sparks great interest in the program and motivates people to continue their efforts even in case of failure.

Finally, the principle of LISP co-financing by local communities put into practice is how LISP is distinct from most practices implying the involvement of citizens in making budgeting decisions and the development of social infrastructure. The goal of co-financing is not so much in raising off-budget funds for various projects, as rather in optimal motivation of the program participants.

First of all, co-financing allows revealing and addressing most relevant problems in those settlements where these problems are most acute. The practice shows that the contribution of residents is possible only in those cases, where the problem acuteness presupposes its urgent settlement.

Secondly, thanks to their own contribution, citizens are more aware of their role in territorial development. In particular, at the stage of construction works local communities take an active part in monitoring as members of initiative groups, keeping a watchful eye on the quality and timeliness of the work done by contractors.

Thirdly, the emerging sense of co-ownership assures a better physical condition and integrity of an infrastructural facility after completion of the works as well as its more effective operation.

Finally, the contribution of local communities means the attraction of significant extra funds for problem solution (up to 50% of the allocated subsidy), which is quite important, given the shortage of financial resources in municipal budgets.

In other words, the LISP design is based on the appropriate motivation of participants: rather than persuading locals to become more active citizens driven by a sense of duty, the program provides a smooth mechanism of identifying specific problems faced by local citizens and addressing these problems by willing participants.

2.5. LISP use: regional level (Stavropol Krai)

Stavropol Krai was the first Russia region where LISP design and implementation was launched in 2006, as part of collaboration

between the Ministry of Economic Development of Stavropol Krai and the World Bank. The pilot project was launched in its 9 eastern rayons characterized by rather challenging climatic conditions for farming and low economic development parameters as compared to other territories within the region. That pilot program had been under way in those eastern rayons until 2016, and in 2017 it spread to all municipal entities of the region.

Stavropol Krai LISP has a number of distinctions as compared to similar programs realized in other regions. First of all, during 10 initial years the program was implemented solely in the eastern rayons of the region, which allowed maximum focus on most distressed territories, and only then expanded to the rest municipal entities. Secondly, the administrative-territorial structure of Stavropol Krai characterized by large settlements (consolidating more than 10 inhabited localities) and respective large-scale infrastructural facilities, provoked the allocation of a larger maximum subsidy which a given settlement might claim. The

Box 2.9. LISP facilities in Stavropol Krai

Sports complex in Rodnikovskoe, Arzgirsky district, a LISP project of 2007



Children playground in Verkhnespetnoy of Stepanovsky district – a LISP project of 2007

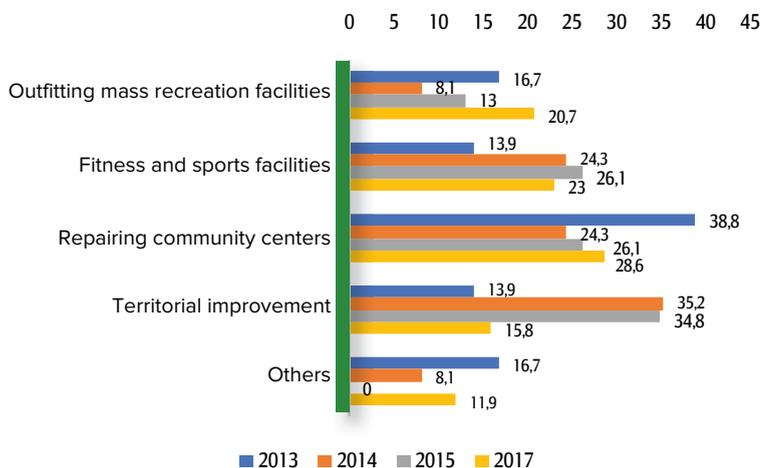


regional subsidy in the Stavropol Krai amounted in different years to 2-3 mln rubles, whereas in other Russia regions (with settlements comprising 10 inhabited localities) the subsidy amounted to 0.7-1.0 mln rubles.

Thirdly, unlike many other regions, rayon authorities in Stavropol Krai do not play a key role in LISP implementation. With settlements being more self-sufficient in Stavropol Krai the former do not expect any sizeable assistance from the rayon administration. According to sociological surveys (see Chapter 5), the administration of municipalities and settlements directly consults at the Ministry of Finance of Stavropol Krai on LISP-related matters, or they may seek advice from their colleagues in other settlements, having richer experience in LISP implementation.

Starting in 2016 LISP entered a new stage of development in Stavropol Krai, propelled by the political will of the regional government and by launching the IB project jointly promoted by the Russia MoF and the World Bank. Against this backdrop IB began its march over the Russia regions. If prior to 2015 only about 65 mln rubles had been allocated from the regional budget for LISP, in 2017 already 200 mln rubles have been apportioned, whereas in 2018 the planned figure is 300 mln rubles. Municipalities can now submit more applications: while a rural settlement can submit only one application as before, urban settlements can submit from 1 to 5 proposals, depending on

Figure 2.6 Typology of LISP projects in Stavropol Krai, 2013-2017



their population numbers. The maximum subsidy per project has also increased and now ranges from 2 mln rubles (for towns with population below 40,000 people) to 6 mln rubles (for towns with population more than 150,000 people).

In proportion to the program scaling, the number of applications and winners has also increased: whereas before last year 32 LISP projects had been delivered on average, in 2017 we have seen 172 applications submitted, with 126 of them financed (73%). As in other Russia regions, the typology of LISP projects selected by the population is in line with the population priorities and the condition of local infrastructure. Projects related to the repair of community centers have been among the leaders in Stavropol Krai throughout many years. The reason is that they are venues where not only festivals for local communities are staged, but where creativity groups for kids and adults gather together and libraries are accommodated. Back in Soviet times large community centers were built in Stavropol Krai, actively used by the local population. By the time of launching the LISP most of these buildings were in a state of disrepair because of problems with financing, LISP being actually the only opportunity to bring them back to life. As a consequence, out of 240 projects delivered from 2007 to 2013, about 110 of them (i.e. more than 45%) had been about the community centers repairing. As you can see in Figure 2.6, the number of such projects decreased after 2014, since community centers had been renovated almost in all settlements of Stavropol krai eastern rayons. They were replaced by territorial improvement projects, which shows that the population are now more mindful about the exterior of their villages.

Apart from extra financing and the program expansion to the entire region, last year the Ministry of Finance of Stavropol Krai established the Initiative Budgeting Division at its training center that serves as the regional LISP Project Center. In addition to providing direct project support, the Project Center backed by the Stavropol Krai Ministry of Finance makes strenuous awareness-raising effort within the LISP on the regional level. In particular,

- there is a LISP section at the regional TV station, as part of the weekly program "Time for Action",
- regional radio and TV stations broadcast videos and commercials of the said Division on a regular basis,
- regional and rayon printed media publish informative articles about the LISP on a regular basis,

- a press tour of municipalities implementing LISP projects is organized for journalists from regional media,
- the program has its own web site www.pmisk.ru.

As a pioneer in LISP development and implementation, Stavropol Krai still serves as a pilot and demonstration platform. In particular, two all-Russian seminars have been held in its territory, as part of the joint project promoted by the Russia MoF and the World Bank: “Initiative budgeting Awareness Campaigns in Russia regions” launched in July 2016 and “Mechanisms of Business Participation in Initiative budgeting Projects” launched in June 2017.

2.6. LISP use: regional level (Republic of Bashkortostan)

Republic of Bashkortostan launched LISP in seven pilot rayons of the Trans-Urals zone⁵ back in 2014. Several factors were taken into account in the selection of pilot rayons, including: remoteness from the capital for the development and testing of logistical schemes, a relatively low level of economic development to fine-tune local co-financing schemes, availability of rather large and developed urban settlements as well as small and poor rural settlements.

In 2016 it was decided that the successful pilot experience should also benefit the entire territory of the Republic: 832 settlements (in 54 municipal rayons) and 9 urban districts.

From the very beginning the focus of the Republic of Bashkortostan LISP was on participation of local population in all LISP stages as well as in the development of local self-governance.

The Republic has been active in holding local population meetings. Thus from June 1 to July 6 of 2016 they held 688 final meetings for identifying the priority problem, where 37,753 people participated – the average of 17% of all local residents.

⁵ Trans-Urals is the eastern part of Bashkortostan comprising 7 municipal rayons.

Figure 2.7. LISP community meeting in the city of Uchaly, 2016

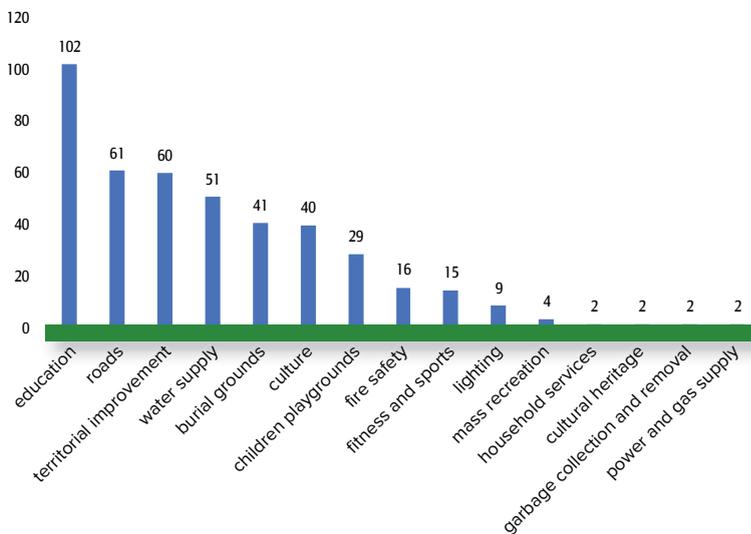


The Bashkir town of Uchaly set all-Russian records by the number of final LISP meeting participants for two years in a row: in 2016 the meeting at a stadium was attended by 2,050 local residents and in 2015 – by 2,973 locals.

Both in 2016 and 2017 the republican budget allocated 300 mln rubles for LISP implementation, one subsidy being limited to 1 mln Rub.

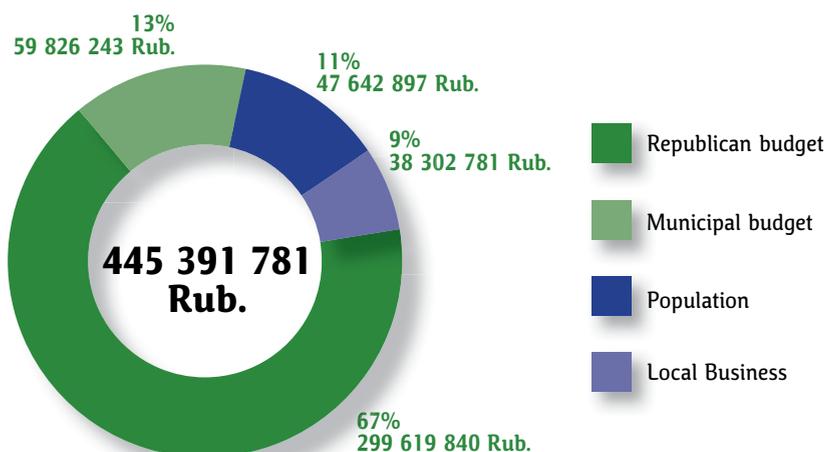
It is anticipated in the Bashkortostan LISP that each settlement can submit only one application, though a project chosen by the local population can be within the jurisdiction of either settlements or rayons. In particular, unlike other regional LISP, educational projects are also financed in the Republic of Bashkortostan. Moreover, in 2017 such projects were in highest demand, with 104 out of 436 winning projects related to education.

Figure 2.8. Typology of LISP projects in the Republic of Bashkortostan, 2017



The active participation of local population in LISP is not limited to attending events related to the project identification. Along with local business, citizens take an active part in project co-financing. This testifies to the high level of trust in the program as well as to strenuous explanatory and organizational effort made by the administration of municipal entities involved and by members of initiative groups in such settlements. In fact, the population and local business together provide about 20% of the project cost, with 67% coming from the regional budget.

Figure 2.9. Financing of Bashkortostan LISP projects in 2017



Rayons authorities in the Republic play a large role in successful LISP implementation. In addition to many projects falling within their jurisdiction so that they prepare and deliver these projects, they also perform as LISP coordinators in rayons. In particular, almost in all rayons LISP curators are appointed at the level of deputy head of a rayon or head of administration. In many cases heads of rayons administrations coordinate and supervise LISP on their own.

The Government of the Republic of Bashkortostan provided the Program support at all of its stages, having created the LISP Project Center under the Institute of Strategic Research at the Bashkortostan Academy of Sciences, which at the present time is the biggest

regional IB project center in Russia with 7 employees on the payroll along with freelance consultants hired to support certain stages of the program.

By 2017, Bashkortostan LISP has turned from a pilot project for rural territories into one of the best IB practices in high demand on the national and international level. In September 2016 Ufa hosted the first all-Russian seminar for business participation in IB programs. In November 2016 Bashkortostan LISP was presented at the BRICS event in Kochi, India and in 2017 – at international seminars in Brazil, Argentina and Portugal.

In September 2017 a conference under an aegis of BRICS countries “Citizen Engagement Approaches for Community Infrastructure Development” will be held in Ufa, Republic of Bashkortostan.

Chapter 3

**Overview of participatory
budgeting practice of
the European University in
St.Petersburg and Committee for
Civil Initiatives (PB EUSP)**

3.1. PB EUSP background

Specialists from the Committee for Civil Initiatives and European University in St. Petersburg (hereinafter: EUSP) began discussing the use of participatory budgeting in Russia back in 2012. It was already obvious by that time that Russian cities lack working channels for financial debates (as well as for public discussion in many other spheres of municipal economy). It was apparent that the available institute of public hearings arranged for discussing various matters, including city budgets, is not popular enough among the denizens, since these hearings are more reminiscent of public lectures and budget presentations, than a full-fledged dialogue between government and denizens. On the other hand, participatory budgeting that had become widespread across the world by that time appeared an effective mechanism of citizens' involvement in budget discussions and their participation in formulating the priority budget expenditures.

It is for this reason that experts from the European University, upon reviewing the existing practices, opted for participatory budgeting adapted to Russian realities, as the reference point. The PB EUSP initial goal in Russia was organizing an effective platform for interaction between citizens and government. In this case by effectiveness we mean realizing the citizens' initiative in the form maximally approximating their needs and requests. Public discussions as part of PB EUSP were oriented towards clarification of those needs, their optimization with regard for the existing legislation and creating opportunities for the full-fledged participation of residents in the budgeting process – from putting forward an initiative to the control of its implementation. Originally it was implied that this work must be carried out by the city administration while EUSP specialists functioned as hands-on implementers only in the early years of the program realization, leaving a venue for consultations in the future.

Thus, the original aims predetermined the main target pool of PB EUSP projects: municipalities having the desire and opportunities for experimenting in the area of public discussions. Originally, participatory budgeting programs were focused on the efficiency of interaction between denizens and the city administration. This

prearranged the entire further design of these programs as well as conditions for their implementation in the municipal budgeting process. Because the effective dialogue implies justified positions of both sides, the main task of the program was offering opportunities to local communities to justify their concerns, on the one hand, and to city administrations to respond. The plan called for the dialogue to be made public and subject to moderation, while making the original prerequisites for the dialogue – justified requests and response to them – as transparent as possible for both sides and for the city public as a whole. It was decided that programs should be oriented towards the maximum number of participants, rather than focusing on the choice of representatives or initiative groups. This decision was justified by the fact that citizens' participation is an element of democracy, that is the opportunity for citizens to influence the decision-making process directly on a certain government level. Direct democracy institutes (not only referendums, but also any forms of direct participation, including effective public hearings) allow the citizens ignoring the traditional forms of political involvement (e.g. elections) to manifest their civil stance. In this way, participatory budgeting programs raise the civil society effectiveness, making transparent the participation procedures and “rules of the game” which are unequivocally perceived by all parties to the dialogue.

3.2. PB EUSP logic and objectives

To create an effective platform for the dialogue, the following elements were needed, which later took various shapes in applied projects on the municipal level.

1. Funds from the municipal budget in the amount sufficient for implementing offbeat ideas suggested by denizens.
2. City activists with an urban development vision, willing to participate in the process.

3. Adequate competences of denizens in municipal administration, regulatory and budgetary processes, enabling their effective engagement with the city administration.
4. Openness and readiness for dialogue with the city administration, including for information submittal (not only budget-related information, but also territorial development plans, inquiries and advice).
5. A platform for holding a dialogue.
6. An honest and transparent mechanism for the selection of denizens and their initiatives.

These elements were assured stage by stage in the process of PB EUSP programs implementation. Given below is the brief description of each element:

1. City administrations reserved a certain part of the municipal budget (the upper limit being 1% of the municipal budget, but the funds had to amount at least to 5 mln rubles). The sum was earmarked on an individual basis, but city administrations were tasked with the allocation of funds adequate for the delivery of 1-2 big projects in the city.
2. One of the project's objectives was involving denizens who do not participate in the traditional forms of civil activity (non-profit organizations, public associations, etc.). At the recruiting and project awareness campaign stages a special emphasis was placed on the city image that must include not just a domicile (house or yard), workplace and traditional places of recreation; denizens were tasked with rethinking public spaces in need of their initiatives, at all stages of the project, since such spaces attract all city-dwellers, rather than a certain part of the population (one district or territory or one age group or professional group).
3. An education component was introduced to ensure an effective dialogue: lectures on the budgeting process and a public procurement system, which showed their effectiveness in the first year of the project delivery. Lectures were delivered by specialists from the municipal administration (heads of financial or procurement divisions). Both lectures and answers to questions helped accruing some knowledge about municipal powers, the system of tenders, basic rules of drawing estimates –

whatever was necessary for the quality preparation of initiatives. The educational component was supplemented with lectures on urban studies, organization of public spaces and municipal planning, if needed. Such lectures broadened the vision of project participants, contributing to the generation of nonstandard and developing ideas.

4. The information provided by administrations was vitally important for the development of grassroots initiatives. In modern-day municipal administration some territorial initiatives of local communities are hard to realize because of unclear status of a territory, the lack of demarcation, murky liability of certain landowners for parts of the territory. Integrated initiatives taken by locals (often just because of their ignorance of the permitted land use) frequently led to the untangling of seemingly desperate deadlocks faced by city administrations who did not have the clue of how to develop those territories.
5. The dialogue venue does not only imply a specific place, but also certain rules. Conduct regulations developed to support the participation of citizens clearly stipulated the rights and liabilities of each side (citizens and administration). Any collective meeting was to be moderated by a person trained by EUSP specialists, empowered to aptly steer a discussion. This significantly simplifies the procedure of public discussions, making it a lot more effective in terms of time investments. In the beginning EUSP served as moderators; later they were replaced by denizens, somehow connected with the programs.
6. The selection of denizens is a complex task in its own right. It was apparent from the very beginning that for a dialogue to be effective, a group of denizens should not exceed 20 people. The Brazilian participatory budgeting scheme with assemblies and delegates would not work in the Russian environment: public hearings with a large number of participants are difficult to moderate while the delegation of powers means duplicating the tasks of the deputy corps. With that in mind, it is also necessary to enable a maximally broad circle of interested denizens to participate in a project. Therefore, it was decided that in the recruitment of program participants the maximum coverage was to be ensured (any city-dweller older than 18 who is not an employee of the municipal administration or a deputy of any

level). The selection of those who can put forward their initiatives was done via a random draw among all the participants. Thus, maximally impartial criteria were assured without fixing quotas or infringement on anybody's rights.

Therefore, the budget commission was identified as an effective form of participation – randomly picked denizens who applied for participation in a project. The size of budget commissions in different cities ranged from 10 to 20 people. An equal force of reservists was also set apart, to replace the members of budget commissions, should they be unable to fulfill their obligations. Public discussions of initiatives, lectures and consultations were conducted for members of budget commissions, though all sessions were open and accompanied by reports, publications and discussions in the Internet – that's why the audience of PB EUSP programs eventually was much wider than 10-20 people.

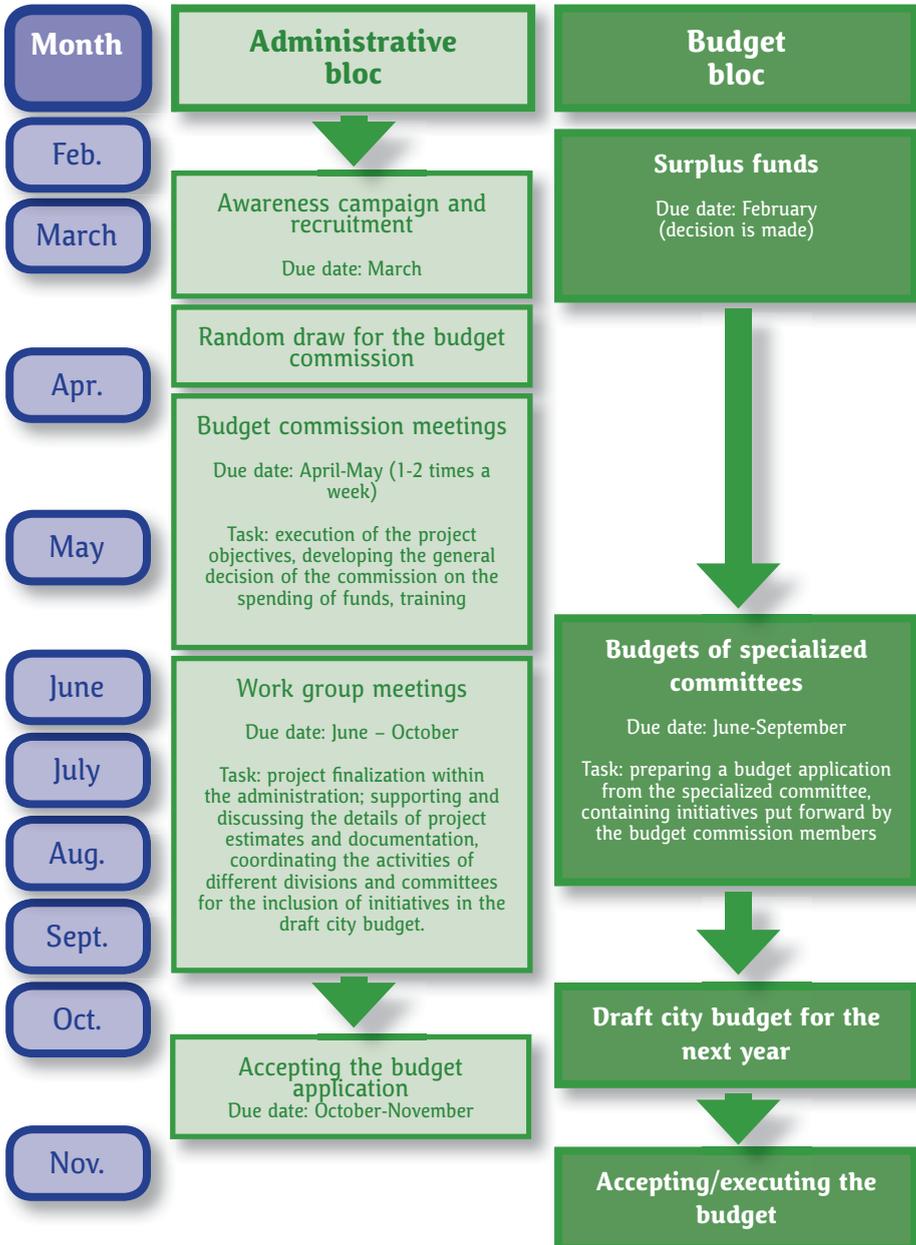
3.3. Этапы партиципаторного бюджетирования

The stages of PB EUSP programs could be summarized in the following way (see Figure 3.1).

It should be noted that the main part of programs (awareness campaign, recruitment and sessions of the budget commission) precedes the drafting of budget applications by administration division committees. Working on the proposals for the draft city budget proceeds in parallel with the general process of compiling proposals in the city administration (July-August). As a result, by the year end (November-December) budget applications based on the initiatives of budget commission members can be included in the draft budget which is then finalized by the municipal Duma or Council of Deputies.

The awareness campaign takes from 1 to 2 months and is realized both through traditional media and Internet. It is normally aimed at involving denizens who do not participate in such projects,

Figure 3.1. Implementation of PB EUSP programs



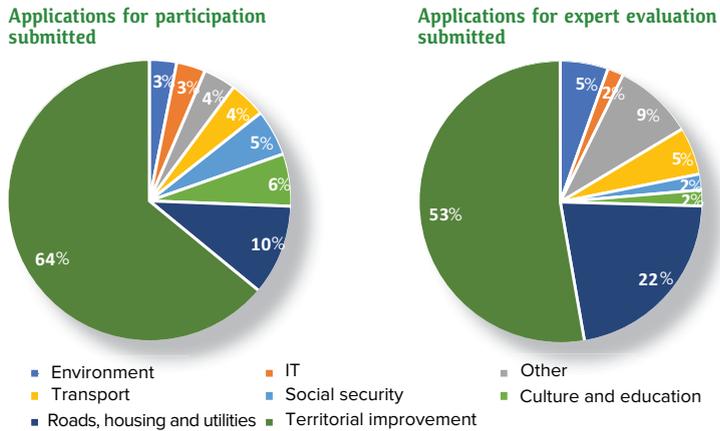
so the city administration holds additional presentations – e.g. at city enterprises where denizens are taught the program philosophy and their opportunities to participate therein.

The plan of meetings for budget commissions is rather intensive and includes at least 8 sessions during 2 months, which are conducted using special methodology with participation of a moderator and brace up the stakeholders for collective work. As a result, residents are oriented towards larger general projects for the city where each member of the budget commission finds an opportunity to implement their ideas. Every meeting also has a mandatory tuition bloc – 2-3 lectures on the budget process, municipal powers, public procurements, city planning and public spaces.

The initiatives of budget commission members pass through expert evaluation at the city administration by specialized divisions (these are normally, territorial improvement, sports, culture, education, roads, housing and utilities). The initiatives put forward by the members of budget commissions are finalized via voting, but only initiatives that passed expert evaluation are put up for voting. Expert evaluation actually means that the city administration agrees to realize an initiative (direct consent or the one stipulated by certain conditions – e.g. demarcation of the bounds or appointing an operator of the property). During the entire time of PB EUSP program implementation in Russia the percentage of declined initiatives at the stage of expert evaluation never exceeded 30%, i.e. about 2/3 initiatives are accepted by the city administration as feasible. This shows a rather deep level of elaboration on initiatives at the stage of budget commission meetings – a clear evidence of the effectiveness of public discussions organized in this format.

The typology of initiatives discussed does not differ much from one city to another and generally does not depend on its size. The city size can influence the number of initiatives, but most of them have to do with territorial improvement, roads and sports facilities. As a typical example, we might give the results of one of the latest projects in St. Petersburg. At the stage of collecting applications for participation in the project St. Petersburg residents also indicated, what initiative they would like to realize, which allows comparing the typology of initiatives before and after the meetings of budget commissions (see Figure 3.2).

Figure 3.2. Typology of initiatives for the project “Your Budget-2016”, St. Petersburg



PB EUSP programs in Russia cover 15 cities and urban settlements (from the urban settlement Mirny in the Kirov Oblast with the population of around 5,000 residents to the city of federal importance St. Petersburg with population in excess of 5 mln residents). Overall more than 200 mln rubles have been allocated for more than 50 initiatives.

3.4. PB EUSP as compared to LISP

PB EUSP programs have evolved independent of LISP, but then synergy developed between the two. On the whole, both programs effectively interact on the regional level and in small towns (below 50,000 residents) where there is some interdependence potential.

The main distinctions between PB EUSP and LISP are as follows:

1. There is no co-financing mechanism in PB EUSP: projects are financed only from municipal funds. Instead of financial injections, local communities invest plenty of time in the elaboration and support of projects, which can be construed as nonmonetary contribution.
2. Orientation towards education and financial literacy: a significant part of PB EUSP programs is aimed at the training of citizens in the fundamentals of law, which raises the effectiveness of their initiatives' implementation. Thus, PB EUSP projects may have a salubrious effect upon the efficiency of spending the municipality's budgetary funds; yet the main effect is the higher literacy of denizens.
3. Orientation towards the solution of urban problems; the program is not meant for rural settlements or for addressing problems within the jurisdiction of municipal rayons. The original focus of PB EUSP programs is integrated city projects (parks, sports and road infrastructure).

Nevertheless, for all the differences, synergy effects generated between PB EUSP programs and LISP are quite obvious. In the Kirov Oblast the two programs function in parallel at the regional level, complementing each other. First of all, together these programs offer wider fund-raising opportunities for the municipality. Secondly, discussing the initiatives of local communities in PB EUSP programs results in creating a pool of projects which can then be delivered within the LISP. For example, the initiatives that do not pass voting in budget commissions can be realized in LISP, especially since all estimates are ready as well as a positive expert opinion from the city administration, which significantly simplifies the process of further elaboration upon the initiatives in LISP. In other words, PB EUSP programs generate good ideas for LISP accelerating the process of discussion and support of the initiatives within the LISP framework. Thirdly, the participation of local communities in the LISP gives them the essential experience of public discussions and joint work, which considerably simplifies the implementation of PB EUSP programs – e.g. the work of budget commissions (instead of 8 standard meetings they need 4-6 meetings for making a decision).

Thus, under the appropriate support and correctly built interaction with city dwellers the two programs can organically complement each other.

3.5. PB EUSP Primary use: municipal level (cities of Cherepovets and Sosnovy Bor)

In 2013, pilot participatory budgeting programs on the municipal level were launched in two cities: Cherepovets (Vologda Oblast, "People's budget" project) and Sosnovy Bor (Leningrad Oblast, "I plan the budget" project). For two years (2013 and 2014) EUSP experts moderated the decision-making process in budget commissions. Since 2015 both cities have been delivering projects independently.

Cherepovets is an industrial city of metallurgists and chemical workers, most important industrial facilities being the factories of "Severstal" Corporation and "Fosagro Co". The wages and the number of jobs here are higher than in the regional center of Vologda. Yet the level of citizens' activity in addressing the city issues is generally low, apart from several traditional forms of participation (youth, public and territorial associations). Sosnovy Bor is historically connected with Leningrad nuclear power plant, with most local residents somehow related thereto. Compared to average regional indices, the education and income level is notably higher in the city. The activity of local communities in discussing significant city issues is high both offline and online; the Internet coverage is also rather high. The given factors, along with the desire of city administrations to participate in experiments and relatively low population numbers (see Table 3.1), became decisive in picking these cities for the program pilot run.

The annual amount of funds for distribution in 2013 and 2014 in Cherepovets amounted to 15 mln rubles, in Sosnovy Bor – to 20 mln rubles. This amount did not change in Sosnovy Bor throughout

Table 3.1. Relative indicators of the pilot cities at the start of projects in 2013

Parameters for comparison	Cherepovets, “People’s budget”	Sosnovy Bor, “I plan the budget”
Population (thou people)	314.6 (2011 г.)	65.7 (2011 г.)
Average monthly salary (Rub)	33 362 (2011 г.)	33 173 (2012 г.)
Total city budget for 2013 (thou Rub)	5 498 949	1 534 988
Budget deficit in 2013 (thou Rub)	329 329,4	0
Planned budget deficit for 2014 (thou Rub)	173 503,1	0

the entire project. As for Cherepovets, the funds allocated for the “People’s budget” project were slashed down to 7 mln rubles because of the city budget sequestration. Yet the city administration of Cherepovets was concerned about the development of territorial public self-government; that’s why in 2014 the “People’s budget-TPSG” program kicked off in parallel with “People’s budget”, with representatives of four TPSGs participating. As part of that program, each TPSG was encouraged to prepare applications worth up to 1 mln rubles for works within the bounds of a certain territory. In 2015 already 8 TPSGs participated in the program.

The initial focus on the generation of ideas worked differently. Thus, in Cherepovets, obviously because of its larger size, members of the budget commissions initially focused on grassroots initiatives and only later moved on to discussing public spaces. The residents of Sosnovy Bor, on the contrary, were mainly interested in offbeat projects.

An interesting effect of PB EUSP programs was also noted. In 2014, Sosnovy Bor municipality arranged elections to the municipal legislature. Five commission members of different years ran for the seats and two of them became local legislators. Thus, the knowledge accumulated at the meetings of budget commissions due to constant contacts with representatives of town administrations can be useful in subsequent activities of former commissions members, when they become local lawmakers.

3.6. PB EUSP expansion: regional level (“People’s budget” in Kirov region)

The program in the Kirov Oblast has a regional base as it is the Ministry of Finance of Kirov Oblast that initiated “People’s Budget”. In 2014 three urban settlements participated in the pilot stage: Urzhum, Omutninsk and Mirny, whereas in 2015 already seven towns participated: Afanasyevo, Mirny, Omutninsk, Falenki, Kumeny, Kilmez and Yaransk. At the present moment (2017) the financing of projects in municipalities of the Kirov Oblast is based on a tender with municipal entities involved (10 winners are selected), 1 mln rubles coming from the regional budget and 1 mln rubles – from the municipal budget. Thus, the sum of 2 mln rubles distributed in each of the settlements sometimes accounts for about 20% of the municipal budget.

The programs are implemented in the Kirov Oblast remotely, with experts from the EUSP organizing training for municipality representatives and moderators of the budget commissions who later carry out programs locally. EUSP specialists are in control of their implementation, helping moderators if need be. Judging by the three-year experience, “People’s budget” is a success, though it largely depends on the personal attitude of municipality representatives towards the program philosophy and content.

Urban settlements participating in “People’s budget” are generally small (the population does not exceed 25,000 residents), so the nature of their problems is different from those faced by large and developed cities. The focus is mainly on the repair of educational and cultural institutions (nursery and secondary school buildings, community centers), water lines, roads and power supply lines.

Thus, PB EUSP not only allows to address integrated problems and to push through non-trivial ideas, which is typical of the cities with developed infrastructure, but also to attend to smaller, but urgent issues of providing for basic needs of the local population. This does not mean lesser participation, however: some towns practice the involvement of budget commission members in detailed elaboration

on proposed projects, since local administrations lack broader expert staff. This voluntary involvement gives a strong impulse to developing a dialogue between local communities and authorities.

Also, thanks largely to the standard approach to problem solution, municipalities in the Kirov Oblast could speed up the delivery of projects (when grassroots initiatives come down to major construction works, which is the case in most instances). Usually it takes 2 years to go the distance from initiative to commissioning for nonstandard solutions practiced in big cities. In some towns of the Kirov Oblast this term was cut to 1 year.

3.7. PB EUSP in the city to the second power: St. Petersburg (“Your budget” 2016)

In 2016 the participatory budgeting program kicked off in St. Petersburg. It was implemented in two pilot city districts: Central and Vasileostrovsky. “Your budget” is the first case of IB program implementation in a Russian city of federal importance, which challenged the organizers to coordinate the efforts of the city, district and municipal administrations. The situation was aggravated by the fact that a huge number of St. Petersburg territories and buildings are under the protection of UNESCO, national ministries and departments. To raise the efficiency of discussing various initiatives, the instructional bloc was enlarged to include elements of St. Petersburg legislation, as regards the zoning and development rules as well as heritage protection and conservation. The more complex expert evaluation took four weeks instead of the usual two weeks, required by a local administration to issue a conclusion about the possibility of realizing any specific initiative. It was very difficult to coordinate expert opinions on initiatives, since each of them interfered with the powers of at least three city committees.

Nevertheless, delivering such a project in St. Petersburg opens a great many opportunities: first of all, to involve city experts and NPOs in the process of public discussions, given that they have a tremendous experience of positive engagement with the city administration on key issues for PB EUSP programs. The quality of initiative discussion rose to a new level indeed, since urban planning awareness policies provided residents with unique opportunities to use geoinformation systems of the city as they planned to realize their initiatives. The involvement of urbanists and urban planners gave an impulse to the development of new ideas on the use of public spaces in St. Petersburg and the involvement of volunteer organizations and NGOs in the realization of various initiatives.

The project "Your budget" will be continued in 2017 and expanded to 5 city districts, whereas the future plan calls for spreading this positive experience to all other districts and intra-city territories of St. Petersburg.

Chapter 4

**Overview of other
IB and IB-allied
practices**

4.1. Practices based on the LISP methodology

Successful LISP implementation experience and the World Bank's promotional mission in the Russia regions facilitated independent launching of IB programs based on the LISP methodology. In 2014-2015 such programs were launched in Mari El, Chuvashia, Komi and Karelia republics, Ulyanovsk and Vologda oblasts. Given that the elaborate methodology and experience in LISP were used, the given group of practices normally dismissed a pilot cycle and were rolled out straight off in the entire territory and for all types of municipal entities with the exception of large urban districts.

The given programs were implemented solely by regional authorities with active participation of local self-government bodies. It's important to note that in these regional versions of LISP, realized autonomously without any methodological control at the launching stage or technical support by external advisors, the basic version undergoes significant corrections. Project selection and application procedures are simplified, some project assessment criteria and their weights are altered along with off-budget co-financing parameters.

"People's budgets" launched in a number of Russia regions in 2010-2011 with support of the all-Russian political party "United Russia" and All-Russian People's Front (ONF) constitute a separate group of practices using the LISP methodological basis. The philosophy of partisan "People's budgets" implied citizens' involvement in budget discussion on the federal, regional and local levels. It should be noted that for the first time the initiative of forming the budget agenda at the regional level with population involved was realized in Krasnoyarsk Krai back in 2007. In the course of the Russia State Duma elections an inclusive survey was arranged in all rayons of the region in order to define the priorities in spending the municipal budget funds. The initial versions of such programs anticipate certain participatory procedures, such as identifying the requests of citizens via different procedures, discussing projects at public meetings and competitive selection of projects. Most "People's budgets" were initially limited to the only cycle, though in Irkutsk,

Tula and Tambov oblasts the practices were continued and refined. As they further evolved, Tambov and Tula regions introduced project co-financing by the local community, and the typology of projects was broadened significantly. Following the LISP in the Kirov Oblast where a Management information system was launched starting in 2011, Tula and Irkutsk regions also introduced IT-based components of practice management: an automated management system in the Tula Oblast on the “Open Region 71” resource and IT-based project monitoring systems in the Irkutsk Oblast. Furthermore, “People’s initiatives” in the Irkutsk Oblast and “People’s budget” in the Tula Oblast are distinguished among other practices by the amounts of regional subsidies absolutely unprecedented for the Russian IB: in some years these regions allocated 1 bln rubles and more for IB.

See regional programs using the LISP methodology in Table 4.1.

4.2. Practices using PB EUSP methodology

The PB EUSP practice that demonstrated its effectiveness in urban areas has also proved to be in demand and is gradually being replicated elsewhere. In particular, a project based on the PB EUSP methodology was independently delivered in the territory of the city of Ulyanovsk in 2015, whereas starting in 2016 a similar initiative can be realized by any municipal entity of the Ulyanovsk Oblast. Here the co-financing procedure was integrated into the PB EUSP model, which is a unique phenomenon not only in Russian IB, but also in the world. The cities of Magnitogorsk (Chelyabinsk Oblast) and Zheleznogorsk (Krasnoyarsk Krai) have their own experience of PB practice design and implementation. In Zheleznogorsk the initiatives of local residents were gathered via the Internet.

Table 4.1. Regional practices using the LISP methodology

	Region	Launched	Territory, type of municipalities involved
1	Stavropol Krai	2007	Prior to 2016 – eastern rayons, starting in 2017 – the entire territory. Participants: urban and rural settlements, urban districts
2	Kirov Oblast	2010	2010 – urban and rural settlements in five rayons of Yaransky cluster; 2011 – all urban and rural settlements, 2012 – municipal rayons; 2013 – urban districts; starting in 2015 – gardeners' non-profit partnerships
3	Tver Oblast	2013	2013 – two settlements from each of the 36 municipal rayons, 2014 – all rural and urban settlements, starting in 2015 – urban districts
4	Nizhny Novgorod Oblast	2013	2013 – northern areas: urban and rural settlements of four municipal rayons and one urban district; starting in 2014 – all urban and rural settlements as well as urban districts
5	Khabarovsk Krai	2014	2014 – 14 rural settlements from 4 municipal rayons; starting in 2015 – the entire territory. Participants: urban and rural settlements
6	Republic of Bashkortostan	2014	Starting in 2014 – urban and rural settlements from 7 municipal rayons of Trans-Urals zone. In 2016 – the entire territory: 7 urban districts, 54 rayons, over 800 urban and rural settlements

	Region	Launched	Territory, type of municipalities involved
7	Republic of North Ossetia-Alania	2015	2015 – rural settlements of 2 municipal rayons
8	Jewish autonomous Oblast	2016	2016 – urban and rural settlements of 3 municipal rayons; starting in 2017 – the entire territory. Participants: urban and rural settlements
9	Republic of Sakha (Yakutia)	2017	Four pilot rayons and one urban district
10	Republic of Karelia	2014	The entire territory. Participants: urban and rural settlements
11	Ulyanovsk Oblast	2015	The entire territory. Participants: urban and rural settlements
12	Tula Oblast	2014	The entire territory. Participants: urban and rural settlements as well urban districts
13	Republic of Dagestan	2015	No data
14	Krasnoyarsk Krai	2017	Six pilot rayons
15	Altai Krai	2017	The entire territory. Participants: urban and rural settlements as well urban districts
16	Ryazan Oblast	2017	The entire territory. Participants: urban and rural settlements as well urban districts
17	Murmansk Oblast	2017	The entire territory. Participants: urban and rural settlements

	Region	Launched	Territory, type of municipalities involved
18	Kaluga Oblast	2017	Three pilot rayons
19	Novosibirsk Oblast	2017	Two pilot rayons
20	Republic of Komi	2016	The entire territory. Participants: urban and rural settlements
21	Republic of Mari El	2014	The entire territory. Participants: urban and rural settlements.
22	Irkutsk Oblast	2011	The entire territory. Participants: urban and rural settlements, municipal rayons, urban districts ("People's initiative" project)
23	Republic of Chuvashia	2016	The entire territory. Participants: urban and rural settlements
24	Amur Oblast	2017	The entire territory. Participants: rural settlements
25	Yaroslavl Oblast	2017	The entire territory. Participants: urban and rural settlements as well urban districts
26	Sakhalin Oblast		The entire territory. Participants: urban settlements
27	Republic of Kabardino-Balkaria		The parameters and design are under review

In all of these cases the practice proposed by EUSP was significantly modified. Most often these modifications target the simplification of the practice support, which may nevertheless result in losing some important effects of PB EUSP practice. Thus, in all new regional versions of this practice the role of consultant is neglected, despite his or her playing an important role of moderator in budget commissions.

4.3. Practices oriented towards the use of IT

Many regional practices of involving citizens in making budget spending decisions are based on IT, including on Internet solutions. In particular, management information systems (hereinafter: MIS) are actively used almost in all regional LISP and in some practices based on the LISP model. MIS are used in LISP at all stages of program implementation – from the preparation and submittal of applications online to project delivery monitoring and report preparation. Such large-scale programs as LISP in Kirov and Tver oblasts as well as in the Republic of Bashkortostan, with hundreds of municipal entities involved, cannot be used effectively without MIS.

Quite common are attempts to use the Internet for organizing online poll procedures and collecting proposals from citizens. The surge of interest in the given form of citizens' involvement was apparent already in 2011, when partisan "People's budgets" were realized. Yet at that time Internet technologies just could not become a systemic solution by virtue of insufficient technology penetration. In the following years public authorities kept on experimenting with this mechanism. In 2013 projects in the Kirov Oblast and in the city of Syktyvkar were delivered on the public Internet platform Yopolis. For the first time in the history of IB in Russia an Internet voting technology was used to select projects in the urban districts of the Kirov Oblast in one of the LISP project cycles. The Syktyvkar city administration used the same platform in 2013 to organize the suggestion of ideas and voting for public space landscaping projects,

as part of the “City legends” competition⁶. Internet solutions related to collecting initiatives, voting and monitoring procedures were also used in Irkutsk, Perm and Yaroslavl regions as well as in the Republic of Sakha (Yakutia).

Another important step in this direction was launching of the crowdsourcing platform www.crowd.mos.ru for Moscow residents to suggest their ideas and publicly discuss them as well as for the “Active citizen” project meant for the city administration to hold e-voting and online polls on matters of urban development at large and for urban planning in certain administrative districts of Moscow. All ballots cast on the “Active citizen” resource can be conventionally divided into five main groups:

1. Casting ballots on new legal norms;
2. Casting ballots on the selection of territorial improvement options;
3. Ballots revealing consumer predilections in the delivery of certain projects in the city;
4. Ballots revealing the attitude of Moscow residents towards the managerial decisions made and legal norms adopted;
5. Ballots related to integrated development of urban areas.

At the present moment, the prevalent decision-making system in Moscow is called “Together”. The system consolidates three interactive projects of the government engagement with local communities and getting feedback from the population, having the same rational underpinnings. At the stage of choosing priorities people can suggest their ideas through participation in the Moscow Government’s crowdsourcing projects on the www.crowd.mos.ru resource; at the decision-making stage people can choose specific measures as part of the “Active citizen” project; at the implementation stage they can monitor the execution on “Our city” resource.

The Moscow Oblast is more active than others involving citizens in participation and monitoring procedures via Internet solutions. The main driver is the Internet resource “Dobrodel” launched in 2015. This one was followed by other interactive services technologically related to the Dobrodel resource: Narodny Dobrodel resource, a road repair and improvement project, “Transforming Moscow Oblast yards” project, “Beautification of entrances” project, the annual action

⁶ Neither of the two experiments were later continued, one reason being the lack of a reliable technological solution for the user verification problem.

“Our forest: plant your tree”, and others. Apart from these projects, we should also mention the governor’s “Our Moscow Oblast” award adjudicated since 2013 for the already completed or ongoing civil society projects. All award-related proceedings are realized on the www.Nashe-podmoskovye.rf resource – taking initiatives, registration of projects and voting take place online; online communication of registered participants is also possible. Project presentation to the commission is a mandatory tender procedure. As per the terms of the tender, the headcount of the project’s initiative group is one of the project scale and people’s involvement criteria.

Starting in 2017 Internet services used for the crowdsourcing of people’s ideas and proposals on how to improve social infrastructure is becoming a real trend in Russia. Internet platforms, increasingly often launched at the initiative of public organizations and political parties, are used to deliver national projects on the federal and regional levels. Among these solutions is the public Internet platform “What does Tver want?” (www.tver.rf web site) – a partnership project of United Russia and non-profit sector. The project picks up good ideas not only in the Internet – people can enter their proposals in the course of street actions. Another example is the practice used by the Russian Ministry of Construction, Housing and Utilities where the program “Five steps towards territorial improvement”, implemented in 2017 as part of the top-priority project “Integrated development of mono-cities”, envisaged the collection of people’s opinions in order to take them into account. The Internet platform www.monogoroda.rf was used to organize the procedures of factoring in the opinion of people residing in 319 mono-cities with the aggregate population of 14 mln residents. The residents of mono-cities participating in the program could suggest and discuss their territorial improvement ideas. During three months 6,311 proposals from the residents of mono-cities were collected and there were 600,000 ballots cast for them online. After the ideas and projects accumulated via the crowdsourcing mechanism were summarized, they were then forwarded to heads of the mono-cities for decision-making.

4.4. IB-allied practices

Besides IB programs, public hearings, territorial-public self-government (TPSG), the institute of village elders and self-taxation of citizens are other forms most often used to involve citizens in local self-governance – in particular, in the review and settlement of budget issues in the Russian Federation. The given practices are some forms of realizing the rights of citizens to participate in local self-governance, enshrined in Federal law #131-FZ, dated 06.10.2003 “On the general principles of local self-governance in the Russian Federation”, or that do not run contrary to it (the institute of village elders). Some of these mechanisms were developed for rural territories (the institute of village elders, self-taxation) while other practices (TPSG, public hearings) are more developed in urban areas. A number of articles in the Urban Development and Land codes bind to take the public opinion into account in making urban planning decisions. The nature of documents brought out for public hearings as well as a complicated procedural canon of public hearings, feasible only in large administrative centers, make the given practice usable mainly in urban districts.

TPSG as a local self-government tool was rapidly developing in the 2000s. In some Russia regions the TPSG practice was financially backed via regional government programs and laws. In Volgograd and Astrakhan oblasts, Komi Republic and a number of other regions thousands of TPSGs were formed along with institutional infrastructure providing for legal, informational, consulting and bookkeeping support of people’s projects. At the present moment, further development of this practice is to a great extent curbed by the lack of mechanisms for direct access of TPSG to budgetary funds. This problem is partly addressed within the framework of city components of LISP and some other IB practices where TPSGs can submit their applications and get funds for delivering their projects.

In recent years the institute of village elders, on the contrary, proved popular. In the regions they are looking for approaches which would endow village activists and public opinion leaders with a certain status as well as provide a stable mechanism for addressing the problems of rural communities. This practice is most common in

the Leningrad Oblast where it has been used since 2013 as the key mechanism of citizens' involvement in the settlement of local issues in the village, being regulated by the act "On supporting the activities of village elders".

Self-taxation or the practice of voluntary participation of the population in the financing of local economy needs boasts longstanding traditions and is used in the activities of municipalities as a source of extra income for local, mainly rural budgets. The self-taxation decision is made at a local referendum or gathering and is liable to mandatory execution in the territory of a respective municipal entity. Special co-financing incentives were developed in the Republic of Tatarstan, Perm and Kirov regions: per each ruble raised municipalities get 3-5 rubles from regional budgets. At the same time, the self-taxation procedure in the entire territory of the municipal entity is rather complicated, takes much time and also requires significant organizational and financial resources for its conduct. For all that, the construction of certain facilities or providing certain public services is not always important or essential for all residents of a respective municipal entity. These and other difficulties in implementing the self-taxation mechanism curb the use of this practice.

In recent years participatory (or cooperative) design has won renown. For the first time, cooperative design was widely used in the Republic of Tatarstan in 2015-2016 in the process of implementing the regional programs "Year of Parks and Public Gardens" and "Year of Volga and Kama Buffer Zones". Big cities and rayon centers hosted more than 50 seminars to discuss park and waterfront projects with citizens and architects involved. The public discussion lasted at all stages of projects delivery in various forms: surveys, polls, interviews, focus groups, site analysis and photographing with all interested citizens participating; public discussions were sometimes held as games, with other forms used as well.

Starting in 2017 the methodology tested in Tatarstan was offered to the regions participating in the priority project "Forming a comfortable urban environment" delivered by the Ministry of Construction, Housing and Utilities of the Russian Federation, as the key mechanism of citizens' involvement in discussing public space beautification projects. The practical use of the cooperative design methodology is still in the making and does not have any formal

regulatory mechanisms behind it. Public procedures in cooperative design require professional support and highly skilled moderators, which for now cannot be ensured by event organizers locally; hence the need to analyze the consideration of public opinion in territorial improvement projects based on the results of the priority project delivery in this year. Nevertheless, fostering the consideration of public opinion as a mandatory procedure of participation in the state-driven mechanism presupposes considerable potential of developing the cooperative design practice in the years to come.

The approaches to the financing and development of certain forms and mechanisms of citizens' participation in addressing the issues of local importance that have been tried and tested in different regions can be viewed already today as the factor of emerging new regional IB programs. Already now TPSGs and rural activists are embedded in the design of IB programs. The reverse movement, whereby the participatory mechanisms and procedures used in IB can be integrated in successful related local self-governance practices, appears rather attractive as well.

Certain elements of citizens' participation mechanisms are also included in major national programs and priority projects.

In 2014, at the initiative of the Ministry of Agriculture of the Russian Federation, with an eye on mobilization of the human potential in rural settlements as well as local material, labor and financial resources for social development of the village, the grant mechanism of backing the local initiatives of villagers was proposed in the target federal program "Sustainable Development of Rural Territories in 2014-2017 and until 2020." The program anticipates the organization of project selection tenders initiated by municipalities and TPSGs in rural settlements as well as co-financing from municipal budgets, legal entities and individuals. In 2016 already 38 Russia regions participated in the promotion of grant support of local initiatives taken by villagers. The given instrument has a number of considerable constraints, projects financed are limited to three basic areas, whereas a federal subsidy is so insignificant that it allows the delivery of only carefully calibrated projects. The only exception is the experience of Altai Krai that is a leader in terms of the number of rural projects delivered for three years of participation in this federal program. Thus, in 2016 Altai Krai became the recipient of the largest grant for realization of local initiatives taken by villagers among all

Russia regions: 12.5 mln rubles. The share of regional co-financing exceeded 18.4 mln rubles. Total allotments for projects execution exceeded 55 mln rubles, which allowed the region to deliver 27 projects.

The emergence of such participation mechanisms on the federal level along with the diverse experience of citizens participation practices in budget discussions, accrued by the Russia MoF as part of delivering a joint project for the development of initiative budgeting, as well as public administration and legislative innovations introduced by the regional authorities in Russia, signify the ushering of a new stage in the evolution of initiative budgeting in the Russian Federation.

Chapter 5

**Effects
of implementing
IB practices in Russia**

Initiative budgeting was introduced in Russia a relatively short time ago and it is only in recent years that the assessment of its long-term effect commenced. By now pilot quantitative⁷ and qualitative

⁷ LISP impact assessment comprises of two parts: baseline and follow-up sociological survey. The baseline survey is made at the stage of LISP development and piloting up to its full-scale launching in a region, whereas the follow-up survey is made 3-4 years after the program implementation.

To assess the pure effect of LISP, surveys are made in two groups of settlements: experimental and control, the latter being settlements similar to those in the experimental group by their socioeconomic parameters, but not participating in LISP throughout the assessment period.

Two groups of respondents participate in the survey: population and representatives of local self-government bodies. The survey method is a formal personal interview at the domicile and on the job location of respondents, accordingly. Settlements and respondents are selected for the survey using multistate, stratified sampling, which is random at the concluding stage.

The survey was made in the Kirov Oblast in 2010 and 2013, in Stavropol Krai – in 2007 and 2020 and in the Republic of Bashkortostan – in 2014 (that was the first baseline part of the survey).

Box 5.1.

In analyzing the results and effects of IB it is important to distinguish between (1) immediate results, (2) midterm outcomes / effects, and (3) long-term impacts resulting from IB programs.

Immediate results are directly related to the activities performed as part of the program and tracked by means of regular monitoring or reports submitted by its participants. In particular, the main LISP results are: the population involvement in the decision-making process; the number of projects based on the priorities of local communities; attraction of local resources; the number of newly created or repaired infrastructural facilities, etc. The indicators of these results, accordingly, will be the share of locals attending the general meeting on LISP or participating in the preliminary project selection; the number of applications submitted to the LISP competition; the level of co-financing; the number of projects delivered. These statistics are collected by those in charge of LISP. Some LISP results on 9 Russia regions implementing the program with active participation of World Bank are described in Chapter 3.

Mid-term outcomes are positive changes occurring in the course of the program implementation. The examples of such changes include positive dynamics of project co-financing from off-budget sources (testifying to growing trust in the program and willingness to participate therein); active use of newly created or fixed facilities; changed structure of municipality budgets (a larger share of funds distributed with the broad participation of local communities), and higher transparency in using budget funds. Some of these changes are revealed by tracking the dynamics and summarizing the immediate results of several project cycles, while others – through sociological surveys. By analyzing these outcomes or effects



one can get an idea about achieving the end goals of the IB program, rather than only the results of individual projects.

Long-term impacts reflect in-depth socioeconomic changes resulting from the implementation of IB programs. The examples of these impacts include the growing trust of local communities in the local authorities and the preparedness of local government for a dialogue with the population, better neighborhood relationships, a new perspective of local communities about their own role in the community life, the reduction of paternalistic attitudes, etc. Such impacts are hardest to measure, but it is these effects that testify to the improvement of living standards and sustainable development of local communities. Assessing and measuring such impacts require the program monitoring during several years as well as applying quantitative sociological methods based on benchmark and experimental groups (allowing to separate the IB program effects from other factors).

sociological surveys have been conducted in several regions of Russia. In addition, as part of the joint project for the development of initiative budgeting, there has been developed the methodology allowing quantitative assessment of mid-term social and institutional effects of IB on the regional level. Given below are the survey results structured by four groups of effects: institutional, administrative, financial-economic, social.

5.1. Institutional effects

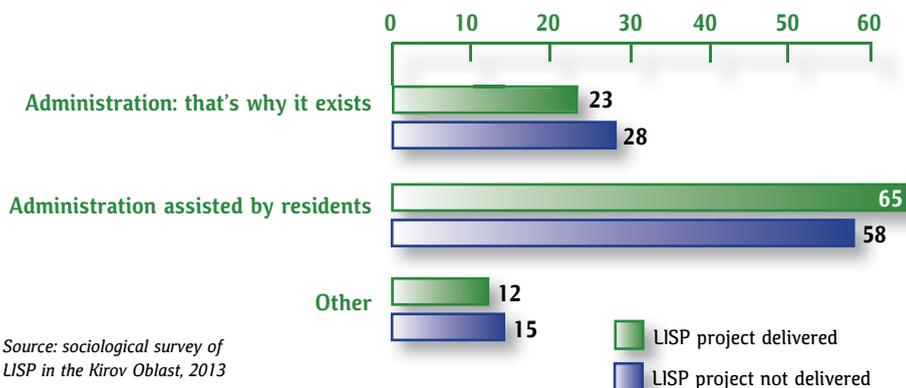
The implementation of IB practices results in changes of informal institutes on the level of local communities. People organize themselves for discussing the problems of their community and joint events aimed at the solution of these problems, make collective decisions about project co-financing, participate in their realization on a gratuity basis. In other words, people develop new habits and informal “rules of the game”, which they start using in their daily lives.

The joint effort changes the nature of dialogue with local authorities, as *local residents start appreciating their own role in community development*. As per the data of LISP research in the Kirov Oblast, most people believe that local problems must be solved by the settlement administration assisted by the population, the latter being a must. The number of people who believe in the joint solution of any problems is higher in settlements having the experience of participation in LISP (see Figure 5.1).

In the process of joint work *local residents develop more trust in their neighborhood and executive authorities*. In the course of the qualitative survey respondents repeatedly mentioned a much better attitude of the population towards local self-government bodies. Respondents themselves attribute this change to more active

Figure 5.1.

Who should solve the problems of your settlement? And what should be done to address them as quickly and effectively as possible? (population, % of those polled)



Source: sociological survey of LISP in the Kirov Oblast, 2013

engagement with the population and to the fact that IB projects force municipal heads to pay heed to the problems really important for local communities.

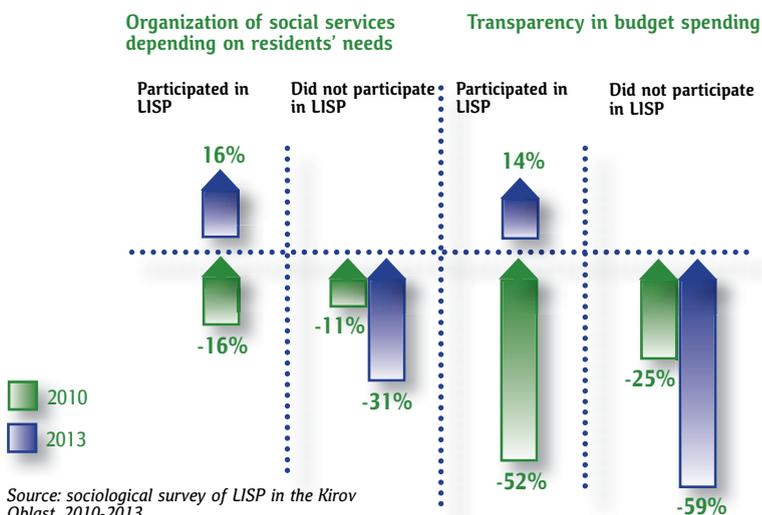
People's attitude to certain aspects of the activity performed by government and municipal officials also changes. This can be seen on the example of the LISP survey in the Kirov Oblast where respondents were asked to assess, to what extent people's opinion is taken into account in providing social services, and how transparent the procedures of budget spending are at the local level.

In 2010, prior to the Program commencement an overwhelming majority of locals had not been satisfied with the state of things on these two parameters. By 2013 in the settlements participating in LISP positive assessments already prevailed, whereas the situation further degraded in the settlements which did not participate (see Figure 5.2).

Therefore, it dawns upon people participating in the IB practices that the authorities heed to their opinion and they become convinced that budget decisions are made in a transparent manner.

Figure 5.2.

To what extent are you satisfied with the work of local authorities in the following areas? (the balance of positive and negative responses, %)



5.2. Public administration effects

Almost any work within the framework of IB projects allows heads of municipal administrations, other officials and initiative groups not only to gain knowledge and skills in the delivery of local projects, but also to raise the level of general competences in the area of communications, planning, prioritizing, teamwork, etc.

Both educational events and hands-on work can raise the level of professional skills. Managing the preparation for and delivery of IB projects allow municipal officials to practically master effective project management aimed at local development. Participation in IB programs enhances the knowledge of administrative, budgetary and procurement system in a given region and in the country at large, along with raising the level of financial and budget literacy. Respondents point out that in LISP focus groups they get hands-on expertise in “the cost of various things, the work of the administrative system, procurements, budget structure, etc.”, which they can later use in their professional or public activity. “We do not just learn something from a textbook, but experience all pros and cons of any particular system.”

The development of general competences is motivated by the design of IB practices, implying that participants possess various skills. Thus, the requirement that application to the LISP competition should be submitted online helps the heads of municipalities and their employees develop computer skills (using the standard MS Office package, working in the Internet, with LISP MIS). The requirement to ensure broad coverage of the population engagement and the course of project delivery, which is also one of the project rating criteria, motivates administration heads and representatives of initiative groups to place ads on web sites, in newspapers, on radio and television channels. The sponsor contribution criterion motivates and teaches heads of administrations to contact local entrepreneurs and make arrangements with them about financial aid or their donation of materials, equipment, vehicles and work.

Thus IB practices unlock the potential of employees from regional executive and legislative authorities as well as forming a candidate pool from among civil activists and members of initiative groups who participate in community meetings, get ready project applications and estimates, help spreading information about the program and mobilizing public support, engage with local authorities, launch crowdsourcing campaigns in favor of chosen ideas in those cases, when the practice presupposes co-financing by local communities.

5.3. Financial-economic effects

The financial-economic effects of IB have to do with higher efficiency of using budgetary funds, achieved due to the attraction of off-budget resources to the delivery of projects (co-financing), using nonstandard approaches to the solution of local problems and more effective operation of renovated facilities.

The attraction of off-budget financing from local communities and business allows the delivery of more ambitious projects on relatively moderate allocations from the regional budget. Sometimes the total cost of projects several times exceeds the budget subsidy amount. With growing trust resulting from the joint implementation

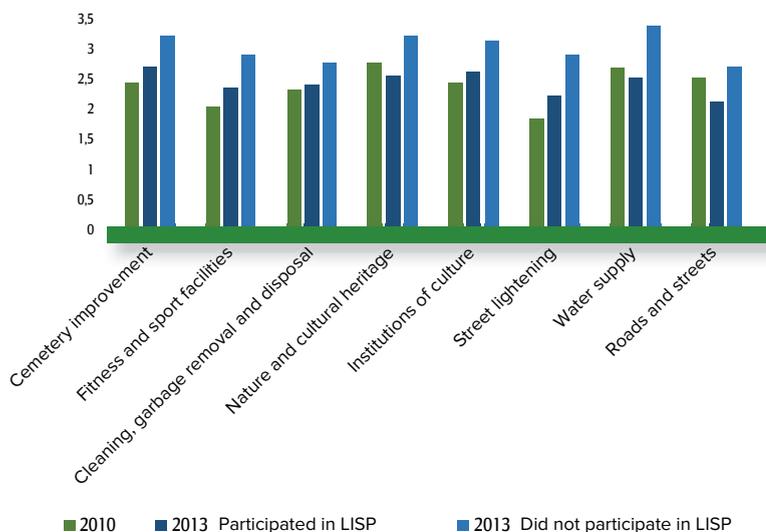
of IB projects, the possibilities of attracting off-budget funds also grow.

In the process of joint work of local communities and local administration, nonstandard ways of problem solution are often found – more cost-effective compared to standards solutions used within centralized sectoral programs. For example, the projects of fire safety stations based at abandoned

“Yes to public control, because they also say: “it would be a pity: so much money is invested and if the work is not done properly; no, we can’t afford to let it go down the drain within a year or two.” It’s their concern and I am happy that they understand the need of careful attitude towards the public property.”

From an interview with local government representatives, Qualitative Survey of LISP Effects

Figure 5.3: Are you satisfied with the services at your domicile? (rating on a 5-point scale where 1 means totally dissatisfied and 5 – totally satisfied)



Source: sociological survey of LISP in Kirov Oblast, 2010-2013

municipal premises and buildings are getting increasingly popular within the LISP framework. The cost of such works normally ranges from 2 to 2.5 mln Rub, whereas the cost of similar facilities erected from ground up on the basis of standard design specifications and estimates amounts to about 13 mln Rub.⁸

Another example of project cost reduction under the IB approach is repairing the community center in Komsomolets settlement of Kirovsky rayon, Stavropol Krai. As per the initially developed specifications and estimates, the repair cost amounted to 18 mln Rub, which exceeded by a wide margin the amount that could be

⁸ An additional effect for the region where such projects are delivered is allocation of special vehicles by the Ministry of the Russian Federation for Civil Defense, Emergencies and Disaster Relies and the financing of new jobs created – a response assignment with the annual payroll budget of several million rubles – as part of Russia's state program "Protection of Population and Territories from Emergencies, Ensuring Fire Safety of People on Water".

allocated from the settlement budget for this purpose. Using the LISP approach, due to consistent execution of the project during three yearly cycles, the cost of all repair works was slashed down to 8.7 mln Rub, including roof replacement, chair replacement in the floor of the house, repair of the lobby and other interior premises.

A more effective operation of renovated facilities becomes possible, above all, due to public control resulting in higher quality of construction works, minimization of corruption and funds misappropriation risks, and secondly, due to a more careful attitude of local communities towards facilities which are built/renovated or financed with their participation.

5.4. Social effects

The social effects of IB are immediately seen in a higher quality of social services at the local level and access of local residents to them. In the long run, these programs result in higher living standards and positive impact upon the fundamental social indicators (poverty level, inequality, unemployment, etc.).

The salubrious effect of IB upon the quality of social services can be seen in the results of the LISP survey in Kirov Oblast. During three years of LISP implementation in this region the satisfaction of local communities participating in the program with the quality of social services way exceeded the average ratings prior to the program

launch. However, in settlements that do not participate in the program the ratings remained at the level of 2010 and even got worse for some types of services (conservation of monuments, water supply and road maintenance).

- *“We fashioned pathways for Mums with strollers and children on roller skates”*
- *“Children go to school in clean shoes Comfort, beauty and cleanness!”*
- *«Через 20 лет на фитнес стали ходить»*
- *«Дорожки сделали – можем каблук носить!»*

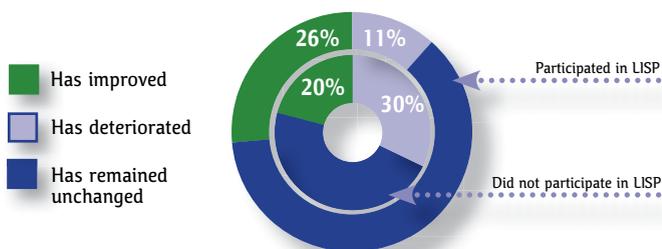
Качественное исследование эффектов ППМИ

In the longer run improving the quality of services against the background of constructive dialogue with local self-government bodies and growing trust in the community lead to higher living standards of the population at large.

In spite of the fact that notable growth of the quality of life requires a long period of time, some positive changes can be found already now. Thus, in Kirov Oblast LISP participating settlements more people positively assess the dynamics of living standards in recent three years than in other settlements which did not participate in the program (see Figure 5.4).

Figure 5.4.

Do you think the quality of life in your settlement during the recent 3 years...? (% of the population)



The quality of life changes for the better not only thanks to new social infrastructure facilities, but also due to positive changes in the general atmosphere and culture of local communities. In the eastern areas of Stavropol Krai where LISP has been implemented during 10 years such changes strike the eye: remarkable territorial improvements, clean and well-kept streets. These are not just outward transformations; villagers also change for the better. The head of "Selo Rodnikovskoe" settlement, Arzgirsky rayon, pointing to the cumulative effect from LISP implementation, says: "I think people's culture has changed for the better during these years while we have been delivering these projects all together."

Chapter 6

**Project on Strengthening
Initiative Budgeting in Russia:
interim results and priorities
for the future**

Prior to 2016 very few Russia regions had gained successful experience in implementing their own initiative budgeting programs. By that time a number of problems and trends had taken clear shape.

First of all, the regions which had been successful in LISP implementation for quite some time began actively looking for new innovative practices and subject matters where initiative budgeting mechanisms could be useful (in particular, IB development in cities, strategic planning of community development with local population participating, the delivery of income generation projects and suchlike).

Secondly, the regions which had independently realized IB practices started seeking some standard solutions that proved their effectiveness, as regards the methodology, business process organization, addressing legal issues, etc.

Thirdly, demand for unlocking the potential (training) of regional stakeholders – representatives of executive authorities and groups of consultants directly participating in the implementation of IB programs – became apparent in all regions. As the number of regions implementing IB programs kept growing, so did the demand for the development of horizontal ties and interregional exchange of experience.

Fourthly, the issues of institutional organization of IB processes remained unaddressed – in particular, organizing the support of IB programs. Prevailing in most regions is the understanding that without a quality local support of programs using significant consulting resources it is impossible to achieve impressive results in the involvement of local population. For all that, there was no systemic approach to choosing a proper organization model.

At last, a considerable number of new regions emerged, ready to launch their own IB programs; but they needed methodological and information/educational support at the initial stage.

Taking the said trends into account, the Russia MoF initiated a joint project with the World Bank, aimed at supporting the development of initiative budgeting in the Russian Federation. The project planned for three years was officially launched in April 2016. The main goal of the joint effort was forming prerequisites for the development and wide spread of IB practices in Russia regions through replication of successful models, support of pilot regional programs, unlocking the potential of local stakeholders as well as the

formation of institutional infrastructure and a system of information exchange (including at the international level) for the support and development of regional programs. It was supposed that about 30 Russia regions (i.e. slightly more than a third) would participate in the Project.

As the first step, the Centre for Initiative Budgeting (CIB) was established in the quarters of Scientific Financial Research Institute (NIFI) of the Ministry of Finance of the Russian Federation, which was assigned the role of coordinator in the development of IB processes in Russia. The Project team was formed from CIB staff and WB experts who planned and implemented the Project's main activities together. One of the World Bank tasks at that stage was passing to CIB of certain proven technologies and experience of LISP implementation in Russia, along with projects related to population involvement, development of local communities and organization of participatory budgeting on a global scale. Together with employees and advisors of the World Bank, CIB representatives participated in field training and awareness-raising events, in the development of methodological documents, monitoring of regional programs, planning and conduct of research works, preparing publications on IB. The joint effort helped unlocking the CIB potential and helped CIB to embrace the technologies of hands-on implementation of IB practices.

The general logic of project delivery can conventionally be split into two stages. At the first stage (2016 and partly 2017) the primary focus was on the replication of successful Russian IB practices, providing methodological, information and educational support for representatives of the Russia regions launching regional IB programs, organizing effective information interregional exchange, helping regions to bolster IB programs (establishing regional project centers). In other words, the intensive launch of new regional programs was in primary focus. At the second stage (2017-2018) awareness and educational events as well as methodological support of Russia regions were continued, but the focus was partly shifted to analyzing the outcomes and effects, generalization, systematization and demonstration of accrued experience both in Russia and abroad, as well as hands-on studying of the best international practice.

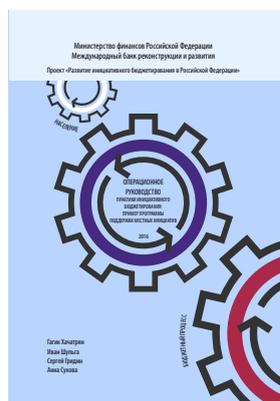
The results of the first stage show that the Project goals are successfully reached, the main evidence being a significant quantitative and qualitative growth of regional IB practices. The

development of regional IB programs was directly assisted by forming the regional institutional IB infrastructure (regional project centers) as part of the Project, as well as by intensive activities aimed at unlocking the potential of local stakeholders. In particular, as part of the Project, 10 regional project centers for initiative budgeting were shored, with various organizational models shaped within the Project framework serving as the underpinning of Project center. Thus, in the Republic of Bashkortostan the Project center was established at the Institute for Strategic Research under the Bashkortostan Academy of Sciences; in Altai Krai, Republic of Sakha-Yakutia and Orenburg Oblast it was hosted by regional finance ministries; in the Jewish Autonomous Oblast – by the ministries of economy and of local self-government; while in Novosibirsk Oblast the Project center operates by the State public institution “Regional Information Center”. Employees of the earlier formed Project centers, already functional by the time of launching the Project – in particular, in Kirov Oblast and Tver Oblast – got additional training, methodological and consulting support within the Project. Project centers’ representatives directly support regional programs, participating in the meetings of local communities, consulting local stakeholders at all project stages, monitoring the quality of events.

One of the Project’s first-stage achievements was building an effective system of interregional exchange of information, experience and best practices. For these purposes, a variety of activities were used, including: thematic conference workshops on IB awareness-raising campaigns, IB development in cities and business involvement in IB programs, Second All-Russian IB Conference, interregional seminars based on the cluster principle, where not only representatives of the participating regions were invited, but also other interested regional actors.

As part of the challenge to unlock the potential of IB programs implementation, about two dozens of field regional training seminars were conducted. Focus in tuition was on the training of municipal

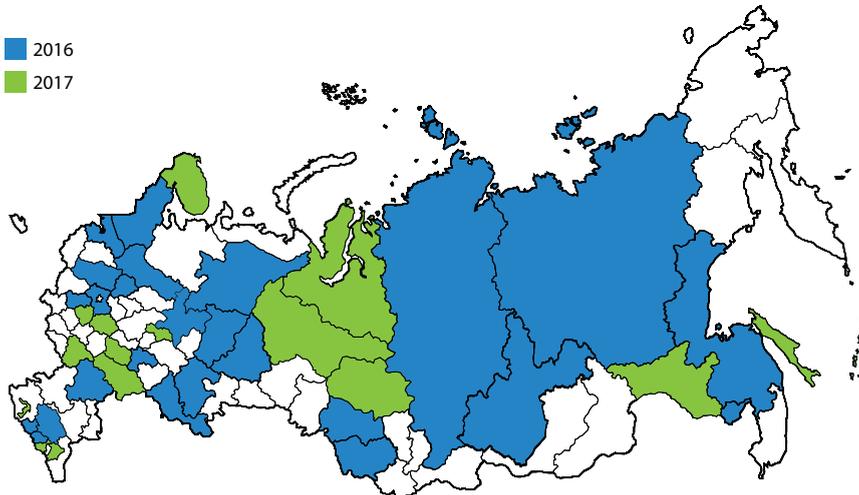
Figure 6.1. IB Operational Manual



officials and Project centers' employees. Awareness and training events were in high demand. Overall more than 1,200 participants got involved in regional training seminars, with about 50-70 people attending each regional seminar, on average. Additionally, for IB consultants the First All-Russian Awareness Seminar was held in Moscow, with representatives of more than 15 regions participating. Online consulting and webinars were actively used as part of the Project.

The participating regions were provided with appreciable methodological support. In particular, based on the accrued experience and best practices of the regions implementing IB programs, standard methodological materials were developed (including The Initiative Budgeting Operational Manual: Local Initiatives Support Program case study, standard normative-legal documents, training modules, standard forms, etc.), which are already actively used by the regions starting the implementation of IB programs.

Figure 6.2. The Map of Regions-Participants of the Project on strengthening IB in Russia



Effective methodological, information and educational support precipitated high demand for the Project events. During the first year of the Project implementation 26 regions participated (despite the planned 20 regions). In 2017 the number of participants has reached 43 (the plan called for 30). Almost all participating regions commenced

Table 6.1 Regions participating in the Project on strengthening IB in Russia

Center	North-West	South	North Caucasus
Voronezh Oblast Kaluga Oblast Moscow Oblast Ryazan Oblast Tver Oblast Tula Oblast Yaroslavl oblast	Vologda Oblast Leningrad Oblast Murmansk Oblast Karelia Republic Komi Republic Saint-Petersburg Novgorod Oblast	Volgograd Oblast Adygeya Republic	KBR KCR Republic of North Ossetia-Alania Stavropol Krai Chechen Republic
Volga	Urals	Siberia	Far East
Kirov Oblast Orenburg Oblast Penza Oblast Perm Krai Saratov Oblast Republic of Bashkortostan Mari El Republic Ulyanovsk Oblast Republic of Chuvashia	Sverdlovsk Oblast Khanty-Mansiysk autonomous okrug Yamal-Nentskyi autonomous okrug	Altai Krai Irkutsk Oblast Krasnoyarsk Krai Novosibirsk Oblast Tomsk Oblast	Amur Oblast Jewish autonomous oblast Republic of Sakha (Yakutia) Sakhalin Oblast Khabarovsk Krai

* The regions participating starting in 2017 are marked in red.

the implementation of regional IB programs or continued them at a new quality level. In 2016 all participating regions confirmed their willingness to continue joint work within the Project in 2017.

Within the second stage of the Project (2017-2018) the focus will be shifted to analysis and demonstration of the Project's results and outcomes in Russia as well as to the intensification of global exchange of experience.

In particular, a series of research works will be performed with an eye on qualitative and quantitative analysis of IB outcomes and effects in Russia. The results of this research will be highlighted in a number of publications in Russian and English.

The main event of 2017 is the international BRICS Forum attended by official delegations and experts from some foreign countries as well as by representatives of many Russia regions implementing IB programs. One more international event is scheduled for 2018 in Moscow.

The integration of leading Russian IB experts into the professional international community is one of the important priorities as well. In particular, events aimed at the exchange of experience in initiative budgeting and community-driven development were held in Brazil, Argentina, Canada and Portugal.

Finally, the informational-educational support of the Russia regions continues in 2017. Thus, several thematic conference seminars on IB matters in urban districts and business participation in IB projects have been conducted. Altai Krai has hosted the Second All-Russian Seminar for IB consultants (the first such seminar as part of the Project was held in Moscow, 2016); on June 26-27, 2017 a seminar devoted to mechanisms of business participation in IB projects was held in Stavropol Krai. In late October 2017 another seminar on IB organization in urban districts will also take place in the city of Tver.

On the whole, initiative budgeting in Russia is entering a new evolution stage and already now we may not only talk about certain regional projects, but also about a successful systemic approach worthy of further propagation at the national and international level.

Conclusion

During ten years since the launch of initial projects, with local communities participating in addressing some issues of local importance, and support of local initiatives – considerable experience has been accumulated in the Russian Federation, with most of it highlighted in the present publication. But this is obviously just an initial stage in the development of a multifaceted process of citizens' involvement in creating social infrastructure in the cities and settlements of Russia.

What challenges will initiative budgeting face in the years to come? First of all, this is avoiding disunity in the activities of participants involved in the process of initiative budgeting development in the Russian Federation. For this purpose, general coordination of the joint effort is necessary.

More emphasis should be placed on initiative budgeting as an instrument of project approach in public administration, especially at the municipal and regional level. The settlement of local issues demonstrates tremendous potential of project activities in initiative budgeting implementation.

At the federal level the project approach to initiative budgeting also has appreciable growth potential. Currently under discussion is consolidating the measures of government support to initiative budgeting projects within the framework of the priority project and (or) subprogram of the government program "Public Finance Management and Financial Markets Regulation."

Strengthening the institutional frameworks of IB is an important area of IB further advancement. It would be expedient to create a network including a federal coordination center and regional project centers as independent and competent centers of initiative budgeting development at the regional level. Along with an IB awareness-raising campaign targeting the mass audiences of Russia's population, it is necessary to pay more attention to raising the level of professional qualifications of IB consultants and to satisfying the demand for essential knowledge about initiative budgeting among the target groups of the project.

The implementation of monitoring and assessment instruments as well as comparing regional IB programs and practices to discover the best experience and to reward best achievements will also contribute to the development of initiative budgeting. These are all the immediate challenges of IB development in the Russian Federation.

Russia transformation into a platform for the exchange of experience and research of citizens' participation in forming social infrastructure, including as part of the activities of international institutions such as BRICS, on matters of citizens' involvement, will precipitate the solution of the said problems.

Appendix 1

Chronology of the main events in the evolution of initiative budgeting in the Russian Federation

2007

The Local Initiatives Support Program (LISP) project of the World Bank gets going in the eastern rayons of Stavropol Krai.

For the first time, the initiative at forming the budget agenda with participation of the local community is realized at the regional level. During the State Duma election campaign in Krasnoyarsk Krai an inclusive survey is made to determine the priorities of spending the funds of municipal budgets.

2010

The LISP project is launched in the Kirov Oblast.

The conference on the Local Initiatives Support Project in the Kirov Oblast reviews the results of the first year of LISP implementation. Later on, discussing the course of the program implementation became an annual event.

2011

LISP in the Kirov Oblast is scaled up to include the entire region.

“United Russia” party initiates the all-Russian project “People’s budget” where certain participatory procedures are used to discuss budgets at the federal, regional and local levels.

Irkutsk Oblast launches its own version of the party project, named “People’s Initiatives”.

2012

Development of regional state programs based on participatory procedures in a number of Russia regions: "People's budget" in Tula Oblast, "People's initiative" in Tambov Oblast, etc.

2013

Pilot LISP projects of the World Bank kick off in Tver Oblast, Nizhny Novgorod Oblast and Khabarovsk Krai.

The inclusion of urban districts and municipal rayons in the LISP implemented in the Kirov Oblast. For the first time the Internet voting technology is used to select projects in the urban districts of the Kirov Oblast.

The projects of introducing participatory budgeting (PB) to the municipal administration of two cities commences: "People's budget" in Cherepovets of the Vologda Oblast and "I plan the budget" in Sosnovy Bor of the Leningrad Oblast. Design and support of the projects were carried out by specialists from the European University in St. Petersburg, assisted by Kudrin Fund for the Support of Civil Initiatives.

Development of the "People's budget" program in the Tula Oblast – scaling and the emergence of new procedures.

2014

The pilot LISP project gets underway in the Republic of Bashkortostan.

Tver Oblast launches the regional LISP School to train administration heads and experts at the local government bodies in the principles of and sequence in LISP implementation. Subsequently LISP School becomes an annual endeavor. The electronic system LISP Tver is put into operation for automated processing of applications.

The pilot project of introducing the IB technology “People’s Budget” (assisted by the European University) gets underway in three urban settlements of the Kirov Oblast.

Developing the project of implementing the IB technology “People’s budget” in the city of Cherepovets via the territorial public self-governance (TPSG) – a separate program called “People’s Budget-TPSG” – is launched.

The onset of independent implementation of the original versions of the Local Initiatives Support Program in Karelia and Mari El republics.

Moscow authorities initiate a new approach to the city administration, anticipating citizens’ involvement in decision-making via the Internet – the crowdsourcing resource www.crowd.mos.ru and the “Active citizen” project for Internet voting are launched.

A task force for participatory and extra budgeting is formed in the Open Government of the Russian Federation. Draft methodological recommendations are developed.

The round table “Civil Initiatives and the Involvement of Citizens in the Open Budget” is held at the Russian Government with participation of the Open Government and Ministry of Finance of the Russian Federation (September 9).

For the first time, as part of the target federal program “Sustainable development of rural territories for 2014-2017 and until 2020”, a mechanism of grant support for projects initiated by villagers is introduced.

2015

The Center for Initiative Budgeting is established at the Scientific Financial Research Institute (NIFI) of the Russia MoF (January).

Systemic research of IB practices’ rollout in Russia commences. At the initiative of the Center for Initiative Budgeting a series of interdisciplinary seminars “Budget as a Social Science” is launched.

The LISP project kicks off in the Republic of North Ossetia-Alania.

Regional IB programs are launched in Ulyanovsk, Vologda, Kostroma regions.

The second IB practice – the PB EUSP project “People’s budget” – is launched in Ulyanovsk.

Project scaling for implementing the IB technology “People’s budget” in 10 municipalities of the Kirov Oblast. Along with PB EUSP and LISP practices, programs of co-financing of educational services and spending on the acquisition of medical drugs are also implemented.

“People’s budget” in the Tula Oblast transforms the services of the program for working online at the “Open Region 71” resource.

Experiments go ahead to realize certain IB procedures via Internet platforms: voting and execution monitoring via Internet resources as part of the program “Let’s beautify our oblast towards the anniversary!” in Yaroslavl Oblast; involving citizens in control and participation procedures via the Internet resource Dobrodel in the Moscow Oblast; the Internet platform “Participatory budget” for the collection of citizen initiatives in restricted-assess territory Zheleznogorsk of Krasnoyarsk Krai, and others.

IB development in Russia regions becomes part of the annual report prepared by the Russia MoF on the best “Budget for citizens” practices. Moscow hosts the First All-Russian Conference on Initiative Budgeting on October 21-22; its materials form the basis of the first in Russia scientific digest on initiative budgeting issues.

2016

A pilot LISP project of the World Bank is launched in Jewish Autonomous Oblast.

LISP spreads to all municipal entities of the Republic of Bashkortostan.

The PB EUSP practice is implemented in 10 urban settlements of the Kirov Oblast and in 28 municipal entities of the Ulyanovsk Oblast.

Within the framework of sustainable and successful IB programs, residents of big cities (LISP in the territory of Tver) get involved, including via Internet technologies (online voting for “People’s initiatives” by Irkutsk residents, residents of Yakutsk putting forward their initiatives via the Internet resource One Click Yakutsk).

In the lack of regional IB programs, some municipalities initiate IB practices backed by their local budgets: Borovsk in Kaluga Oblast, Magnitogorsk in Chelyabinsk Oblast, restricted-assess territory Novouralsk in Sverdlovsk Oblast, the city of Yakutsk, etc.

Ten years after the LISP implementation in the pilot territory of Stavropol Krai, it is decided that the program should develop in the entire territory of the Krai.

The “Initiative Budgeting Projects” nomination is added to the competition of projects for presenting a budget for citizens, delivered by the University of Finance under the Russian Government with support of the Russia MoF and the open government.

The joint project of the Russia MoF and the World Bank for strengthening initiative budgeting in the Russian Federation in 2016-2018 gets underway (April 7).

26 regions of Russia express their willingness and assume the commitment to implement IB programs.

The first regional IB law is passed. This is Perm Krai Law #654-PC, dated June 2, 2016 “On the delivery of initiative budgeting projects in Perm Krai”.

The Republic of Bashkortostan’s government issues Decree #230, dated June 8, 2016, “On the delivery in the territory of the Republic of Bashkortostan of social infrastructure development projects based on local initiatives.”

At the federal level they commence the professional discussion of certain IB aspects in the format of all-Russian thematic conference seminars: “initiative budgeting in the territory of urban districts” (Tver, June); “Initiative budgeting awareness campaigns” (Pyatigorsk, July); “The role, opportunities and mechanisms of business participation in initiative budgeting projects” (Ufa, September).

The PB EUSP project “Your budget” is launched in Central and Vasileostrovsky city districts of St. Petersburg.

The Second All-Russian conference on initiative budgeting is held in Moscow (October 19-20).

2017

The initiative budgeting development project in Russia brings together 43 Russia regions. Overall, 47 Russia regions are involved in IB development.

Work is under way to inform and train specialists from regional authorities and local self-government bodies on how to use IB practices, in the form of workshops, thematic conference seminars, interregional workshops.

Initiative budgeting gets support at different government levels. Certain mechanisms of citizens’ involvement are now used in the course of implementation of federal programs and projects. The IB subject matter is entrenched in strategic documents (the Republic of Bashkortostan) and government programs (Moscow Oblast, Ulyanovsk Oblast) of some Russia regions.

The initiative budgeting Internet resource www.budget4me.ru is launched with support of Kudrin Fund for the Support of Civil Initiatives. The all-Russian competition of realized IB projects is for the first time conducted on this resource.

12 Russia regions launch original IB programs for the first time: Vologda Oblast, Moscow Oblast, Murmansk Oblast, Sakhalin Oblast, Novosibirsk Oblast, Ryazan Oblast, Yaroslavl Oblast, Altai Krai, Perm Krai, Krasnoyarsk Krai, Chuvash Republic and the Republic of Dagestan.

The year 2017 is announced the Year of local initiatives in Stavropol Krai. The program is rebranded and relaunched in the entire territory of this region.

The World Bank's LISP gets going in the territory of five municipal entities in the Republic of Sakha (Yakutia).

IB urban practices keep on developing: "Ufimskie dvoriki" project is launched in the city of Ufa, the Republic of Bashkortostan; "Your budget" project in St. Petersburg is scaled to include five districts; the "urban component" is being implemented in the LISP of Tver Oblast and Kirov Oblast.

Municipal forms of IB at the level of rayons and urban districts further develop in Khanty-Mansiysk Autonomous Okrug-Yugra. Municipal practices are becoming a trend: Tamarinsky district of the Sakhalin Oblast implements its own IB project along with the pilot regional program.

Preparations for launching a pilot practice for the development of income generating projects in a number of rural settlements begin in the Tver Oblast.

For the first time a sociological survey of IB effects is made at the federal level.

An enlarged meeting of the Committee on Budget and Financial Markets of the Federation Council takes place on July 17, 2017. The topic is "Development and regulation of initiative budgeting in Russia regions". Deputies draw up a list of essential measures of support and regulation of IB, including a larger list of industries for implementation of projects with initiative budgeting mechanisms at the expense of the federal budget.

Scientific Financial Research Institute (NIFI) of the Russia MoF develops the Initiative Budgeting Development Program in the Russian Federation over a midterm period.

At the annual Moscow Financial Forum, a thematic section is organized and the region that has achieved the greatest success in IB development is awarded.

Ufa, the capital of the Republic of Bashkortostan will for the first time host the International BRICS Forum on the topic "Citizen Engagement Approaches in Social Infrastructure Development."

Initiative budgeting creates capabilities for more effective management of local budgets with the participation of citizens, being a practical instrument called to bring into effect the "Open Budget" philosophy at the municipal level. It increases demand for the "Budgets for Citizens" information not only at the national and regional levels, but also, what is particularly important, at the local level. Thanks to IB, a sizeable audience of interested users is formed, who seek intelligible information about the budget.

the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion.

There are a number of reasons for this. One is that the population of the world has increased. Another is that the number of people who are illiterate in the developed countries has increased. This is because of the aging of the population. In the developed countries, the number of people who are illiterate is increasing because of the aging of the population. In the developing countries, the number of people who are illiterate is increasing because of the lack of access to education.

There are a number of ways to reduce the number of illiterate people in the world. One way is to improve access to education. Another way is to improve the quality of education. A third way is to improve the literacy skills of the population.

There are a number of organizations that are working to reduce the number of illiterate people in the world. One of these organizations is the United Nations Educational, Scientific and Cultural Organization (UNESCO). UNESCO is working to improve access to education and to improve the quality of education.

Another organization that is working to reduce the number of illiterate people in the world is the World Bank. The World Bank is working to improve access to education and to improve the quality of education. The World Bank is also working to improve the literacy skills of the population.

There are a number of other organizations that are working to reduce the number of illiterate people in the world. These organizations include the International Labour Organization (ILO), the World Health Organization (WHO), and the World Trade Organization (WTO).

There are a number of things that can be done to reduce the number of illiterate people in the world. These things include improving access to education, improving the quality of education, and improving the literacy skills of the population.

It is important to reduce the number of illiterate people in the world. This is because illiterate people are unable to read and write, which makes it difficult for them to find work and to improve their lives. Reducing the number of illiterate people in the world will help to improve the lives of many people.

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