Interregional cooperation in the Russian Federation in the post-COVID reality: challenges and prospects

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Abstract. The COVID-19 pandemic has seriously distorted the public administration systems around the world. In certain countries, like the Russian Federation, the pandemic has triggered different responses by authorities on a regional level. This article argues that the lack of the interregional coordination has exacerbated the negative effects of the pandemic both on the economic development and the well-being of citizens. The goal of this research is to search for ways to improve interregional cooperation in crises of interregional scale and importance. The main hypothesis is that the lack of interregional coordination leads to ineffective crisis management and unnecessarily prolongs the recovery process. Retrospective, statistical and comparative analysis have been used to test this hypothesis. On the example of Russia, the system of crisis management coordination on the interregional level is introduced and explained. The results of this research can be used for public policy in Russia and other federal states as well as to study coordination mechanisms on a supranational level.

1. Introduction
In the globalised world, it is crucial to develop methods in evaluating the effects of external shocks on regional economies as participants of the global economy, as well as ways to enhance the ability of regional economies to withstand such shocks. For the purposes of this research, the external shocks are defined as events or phenomena of the global scale or importance that have severe negative impact on the economic and social development. The modern history has been a witness to several such shocks of which the most significant ones are the world financial crises of 1997-1998 and 2007-2008, as well as the new coronavirus pandemic of 2020-2021, the negative effects of which have not yet been fully mitigated. In this sense, the distinction is made in this paper between the short-term external shocks and long-term challenges, that is, processes or trends that have lasting effects on social and economic development, such as climate change, population ageing, and so on.

As individual regions being part of nation-states become more and more integrated in the world economy, they are facing new challenges to stay competitive on global markets. The enhancement of the role of regions in the global economy is a part of the general trend manifesting itself in the growing influence of many factors including:

- strengthening of transport connectivity and reduction in transportation costs on a global scale (development of air transportation, construction of high-speed railways, autobahns, oil and gas pipelines, development of shipping) [1];
- development of the global IT-infrastructure revealing the enormous potential of e-commerce and creating new industries [2];
• development of global financial markets facilitating investment and reducing transaction costs [3];
• convergence of democratic institutions across economically developed countries reducing risks of the entrepreneurial activity abroad (development of international organisations, such as the WTO, property rights protection, development of international judicial system, and so on) [4];
• rapid development of innovations significantly reducing the importance of traditional factors of competitive advantage, such as abundance of natural resources and cheap labour [5].

The 2020-2021 pandemic has abruptly turned the globalisation processes around and led to lockdowns of country borders cutting long production chains, sharp reduction in world trade and external tourism, high unemployment, and shutdowns of enterprises [6]. Since the intensity of the pandemic significantly differed not only among countries but also among regions within countries, the analysis is needed on how federal and regional authorities reacted to the crisis in terms of immediate effects and forecasted long-term consequences. In this respect, it is important to address the issue of coordination both between the federal and regional levels and between regions themselves.

The goal of this research is to search for ways to improve interregional cooperation in crises of interregional scale and importance. The main hypothesis is that the lack of interregional coordination leads to ineffective crisis management and unnecessarily prolongs the recovery process. The Russian Federation is taken as an example for several reasons. First, Russia was among the countries that suffered the most in terms of the number of deaths and in consequences for the economy. Second, Russia has more than 80 regions differing greatly in terms of economic development and the quality of life of population. Third, Russia has a complex system of public administration that is unique in several respects.

The majority of the studies on the interregional cooperation is devoted to economic and social benefits of it [7, 8]. Some of research is devoted to the influence of interregional cooperation on economic security of a country [9] and maintenance of a stable functioning economic complex during a crisis [10]. The COVID-19 pandemic presents a completely new set of challenges for regional development; therefore, the issue of interregional coordination in a crisis requires further study.

2. Models and Methods
This paper uses the following methods of analysis. The retrospective analysis is used to understand conditions that were present in the Russian Federation before the COVID-19 pandemic. The statistical analysis was conducted in order to assess the impact of the epidemic on the economic condition of Russian regions. The comparative analysis was utilised in order to evaluate the effectiveness of different regions’ responses to the crisis and the influence on their policies on neighbouring regions.

3. Results and Discussion
In the Russian Federation, according to the Federal State Statistic Service, decline in the country’s GDP in 2020 was 3%, which is significantly better than the forecasts made during the pandemic (from 4% decline according to the Bank of Russia to 10% decline according to the OECD [11]). The industrial production declined by 2.6% but the most significant share in the overall decline in the GDP was brought by retail (−4%) and the services sector (−17%).

The standards of living have suffered more than the economy. The unemployment level has grown from 4.6% in 2019 to 5.9% in 2020. The real income of the population has fallen by 3.5% in 2020 and by 2.8% in the first quarter of 2021 relative to the first quarter of 2020. The situation is exacerbated by a sharp increase in consumer prices in 2021. In the first quarter alone, the consumer price index rose by 2.1% (5.8% year-to-year), whereas in 2019 the increase was 3% (in 2020 − 4.9%). Thus, it is difficult to count on the recovery of the standards of living, unlike the economic growth, in the short-term perspective.

The difficult financial situation in many Russian regions will also exert significant pressure on the economic and social development (Table 1).
Table 1. Budget deficit of Russian regions in 2018-2020*. 

| No. of Regions with Budget Deficit (in % from total no. of regions) | 2018 | 2019 | 2020 |
|---------------------------------------------------------------|------|------|------|
| 65 (18)                                                      | 233  | 762  |
| 15 (18)                                                      | 35 (41) | 58 (68) |

*Source: comprised by the author based on the data from the official website of the Russian Ministry of Finance, https://minfin.gov.ru/ru/performance/regions/monitoring_results/analysis

As one can see from the table, the problems with meeting the budget obligations in the regions had started even before the pandemic. However, the economic crisis of 2020 has made the situation significantly worse; whereas the budget parameters of 2021 show that the problem will not be resolved in the near future. By the end of 2020, 68% of Russian regions experienced budget deficit including the most economically developed ones, such as Moscow and Tyumen region. The primary sources of the regional budgets income in the Russian Federation are the corporate profit tax and the income tax. The budget revenues from both of these sources fell in 2019-2020. This was due to a decline in demand for major Russian exported products, as well as decline in local demand for retail products and services. The latter happened due to the lockdown and, for the most part, affected large cities. In other words, the economic crisis induced by the pandemic hit both the export sector and the sectors oriented at the local markets. Correspondingly, the prospects for the Russian economy recovery depend on the pace of recovery of the global economy and demand for raw materials. The negative dynamics of the real income of the population, on the other hand, caps local demand and prolongs the period of recovery for small and medium-sized enterprises operating on local markets.

It is important to note the growing divergence in levels of social and economic development among Russian regions. While during the period of 2000-2013 the difference in Gross Regional Product (GRP) per capita between the most developed and the least developed region had decreased from 26 times to 15 times, beginning in 2014 this parameter again started to grow and by 2019 this difference constituted 18 times. Given the absence of data for GDP in 2020, it can be assumed that the crisis of 2020 has led to further backlog of least developed regions due to diminished resources of the federal government to support regional development.

According to the Russian President’s Decree of April 2, 2020 “Concerning the ensuring of health and epidemiological well-being of the population on the territory of the Russian Federation due to transmission of the new coronavirus infection (COVID-19)”, during the pandemic Russian regions received extended authority to confront the disease including the temporary closure of any type of organisations, as well as restriction on movement of citizens and vehicles. The lack of coordinated federal policy in fighting the pandemic and its repercussions has led to a significant dispersion in the levels of strictness of measures depending on the region: ranging from the standard quarantine measures to movement restriction (e.g., Leningrad, Orel, Bashkortostan Republic, and others), down to the attempts of the full lockdown of regions (Chechen Republic) that, however, were stopped by the federal government. The pandemic has revealed the lack of coordination between Russian regions when facing common problems, which has led to creation of barriers between regions and only exacerbated the situation.

The third wave of the pandemic of the spring-summer 2021 put even stronger pressure on regional governments given the continuous absence of the federal guidelines as to coping with the pandemic and its effects on the economy and well-being of citizens. The regional governments continued to devise their own strategies in this respect without proper consideration of the interests of other regions. For example, the governor of the Republic of Buryatia declared the lockdown on the territory of the Republic in July 2021 that included restrictions on the recreational industry to accept tourists. The Republic of Buryatia shares with Irkutsk region lake Baikal and Baikal Natural Territory – popular tourist destinations. The lockdown had led to the fact that many tourists changed their plans traveling to Irkutsk region instead of Buryatia contributing to the new coronavirus infection dissemination in Irkutsk region.
The lack of coordination and effective communication between governing bodies of Russian regions, in part, was induced by the state policy toward regional development aimed at strengthening the federal authority and decreasing the autonomy of regional authority in terms of conducting an independent social and economic policy. The growing dependence of the economically depressed regions on federal subsidies and investment stimulates competition between regions for these resources under the conditions of deteriorating investment climate.

This growing dependence on resources of the federal government during the fast-pacing crisis significantly diminishes flexibility of the system and its capability to react effectively to changes in the situation. That, in turn, makes it the more urgent the problem of creation of the institutional infrastructure for ensuring the effective interregional coordination within the unified judicial environment.

The contemporary institutes of interregional cooperation can be divided into two major groups: the institutes of the federal level and the institutes of the regional level. The first group includes the institute of the Plenipotentiary representative of the President of the Russian Federation and federal state strategies and programs for social and economic development encompassing several Russian regions. The second group includes the interregional associations of economic cooperation, by- and multilateral agreements of social and economic cooperation between regions, and other instruments of interregional cooperation.

Interregional associations of economic development started to form in the end of 1980s – beginning of the 1990s. Given the political and economic crisis of the end of the 1980s the government officials of Russian regions realised the need to combine resources to avoid serious economic and social losses [12]. The main objectives of the associations were to ensure proper coordination between regional governments in order to sustain industrial production and living standards of the population. Besides coordination between regional governments, an important function of the associations was the representation of regions on the federal level on a wide variety of issues linked to the economic and social development. The institutional infrastructure was characterised by the mutual penetration of the representatives of the federal and regional governing bodies into coordination structures, the development of legislature, and the enhancement of the level of cooperation between government officials, scholars, and entrepreneurs.

However, during the 2000s, with the advent of the institution of plenipotentiary representatives of the President of the Russian Federation in the federal districts, these representatives assume many of the functions previously attributed to the interregional associations. Because of that, the involvement of the associations in the process of interregional cooperation development started to fade, and some of them even ceased to exist (the Great Ural association) or underwent significant reformation (the North-Western association). The objective to ensure interregional cooperation was attributed to the plenipotentiary representatives by the President of the Russian Federation himself. In particular, during the Presidential Address of 2002, he pointed out that the plenipotentiary representatives needed to have been awarded the legislative status of the territorial branches of government so that they could “promote the creation of the market goods infrastructure, ensure the uninhibited flow of materials and goods between Russian regions and sustainable development of local producers, as well as development of the civilised internal market for goods, services, and capital” [13].

Thus, the influence of the interregional associations of development during the 2000s significantly diminished. In the present time, most of the associations perform mostly an informational function, provide platforms for discussing relevant issues among regional government officials. Adopted decisions are advisable in their nature. The analysis of formal reports of these associations’ activities represented in [14] demonstrates the low number of accomplished projects, such as development of interregional tourist routes, waste management system, as well as attempts at harmonizing development strategies of the regions that are part of an association.
Figure 1. The proposed system of the interregional coordination in the Russian Federation.

The proposed system of the interregional coordination in the Russian Federation is presented in Figure 1. The system of public administration in Russia not only became more centralised in the last 20 years but it also became dual in nature – the regions are managed by the President through its representatives in the federal districts and through the federal government. Despite the fact that the pandemic is an exceptional event, problems of an interregional nature that have a potential to develop into crisis are much more common. Apart from negative natural phenomena, these include negative externalities related to anthropological influence, in particular interregional ecological problems. Such problems require coordinated action in the corresponding field in order to minimise harm and optimise resource utilisation. Oftentimes, the structure of the federal government proves it overly bureaucratic to administer crises swiftly and effectively. Its focus is on the long-term development whereas the institution of the Plenipotentiary representatives is more streamlined and potentially more operationally effective.

This paper suggests utilizing the strengths of this dual system of the federal public administration. Plenipotentiary representatives should concentrate their efforts on keeping the unified political space in the country including the legislative, judicial, and executive systems being equidistant from each of them. On the other hand, they should operate in crisis management role whenever needed to ensure proper coordination among regions as well as provide guidelines for regional governments. Therefore, it is advisable to consider creation of interregional working groups or other ad hoc institutions that could operate as anti-crisis centres formed by a joint action of Plenipotentiary representatives, federal government officials, business executives, scholars and NGOs. Such entities will help improve coordination and communication vertically, between representatives of federal and regional governments, and horizontally, between representatives of regional governments of different regions.

Federal government, on the other hand, should provide financial and organizational support for regional governments during crises and help develop strategies to deal with the long-term consequences of these crises. The federal government should also perform strategic audits of the regions that did not cope with crises adequately in order to help their systems of governance become more stable and resilient to external shocks. The interregional associations can serve as important institutions for coordination during strategies formulation and execution. They can also help establish interregional funds for mutual support during crises as well as to implement interregional projects of a non-commercial nature in such fields as ecology, health, education, and others.
4. Conclusion
COVID-19 crisis has uncovered a number of problems in public administration including the serious lack of coordination among regions as well as between regions and the federal government in the Russian Federation. This lack of coordination has worsened the negative effects of the pandemic, which will make the restoration process significantly longer. The system of the state governance in the Russian Federation has become highly centralised during the last 20 years; thus, delegating to regional authorities the responsibility to cope with the COVID-19 crisis led to sizable distortions and conflict. However, with proper division of responsibilities between the Plenipotentiary representatives of the President and the federal government and creation of coordination institutions (or empowerment of existing ones) on the interregional level can make crisis management much more efficient. This study may prove useful for other countries with similar governance structure. The coordination problem during global crises is even more important on a supranational level, which requires further study.

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