

## Executive Summary

Human development in Russia has a large regional dimension. Given the economic, natural, climatic, ethnic, and infrastructural diversity of our country, it would not be an exaggeration to say that the opportunities of any given individual or family depend on where this individual or family lives. It is quite difficult to make a quantitative assessment of the economic development potential of Russian regions and municipalities and even more difficult to capitalize on this potential due to a great variety of complex and interdependent factors ranging from the presence of raw materials in regions to the foreign policy of the Russian government. Nevertheless, the effort needs to be made, since numerous studies have shown that regional development inequalities have begun to have a negative impact on development and use of human resources in Russia. It is well known, in particular, that poverty is concentrated in regions with an average level of development, that the opportunity to get a quality education and use it on the labour market varies greatly between regions and between different types of settlements, and that emerging and growing intraregional inequalities have an even greater impact on differences in the standards of living.

The present Report attempts to give a comprehensive survey of regional human development problems and to identify the most successful socio-economic policies aimed at overcoming these problems in Russian Federation subjects. The report has a number of important features. First of all, as stated in the Foreword, human development issues are examined in the context of Millennium Development Goals (MDGs). Secondly, the Report studies regions from the standpoint of MDGs that were specially adapted for Russian socio-economic conditions rather than global MDGs. Thirdly, it makes use of material provided by independent experts and by officials of executive government bodies in those subjects of the Russian Federation that were interested in sharing their development problems and solutions with readers. The authors hope that their analysis and surveys of regional human development policy may prove useful to subjects of the Russian Federation and local self-government bodies for implementing effective measures aimed at improving the use

of human resources, equalizing human development opportunities in the country as a whole, and, in the long run, giving a new impetus to growth in the standard of living. The **Foreword** sets out the framework and priorities of the Report. It presents the Millennium Development Goals adapted for Russia and the Human Development Index (HDI) calculated for 2003–2004, which illustrate the content of the Report and, to a large extent, confirm its conclusions..

The Report is structured according to a "territorial" principle. **Chapter 1** gives a survey of the situation in the **Central Federal District**. The Central District comes first in the main body of the report for the simple reason that it has the greatest population of any federal district, and therefore its scale of human development problems has not only a qualitative but also a quantitative dimension. The analysis emphasizes specifics of development of the Moscow agglomeration and identifies two types of regional differences that have an impact on social development of the Central Federal District: "centre-periphery" contrasts between Moscow and surrounding regions resulting from economic inequality and concentration of social infrastructure in the capital, on the one hand, and, on the other hand, differences between the Chernozem ("Black Earth") southern zone, where natural conditions are more favourable, the share of agribusiness in the economy is higher, urbanization processes are weaker, and access of rural inhabitants to social services is fairly high, and the less fortunate non-Chernozem northern zone. A detailed analysis of the nature of these contrasts and their impact on different aspects of human development shows that no single approach can be effective in the Central Federal District as a whole. Different regional priorities are needed and different MDGs target indicators for Moscow and the other regions. In Moscow, the strategic priorities of human development should be to raise quality of social benefits and services, especially in the domain of public health, urban environmental improvement and general environmental protection, and in protection and integration of disabled citizens. By contrast, the key task in other Central regions is raising per capita income and improving the accessibility of social services provided by the state. The chapter's survey of the situation in the Central Federal District as a whole is supplemented by vivid regional material from the

**Tver** and **Belgorod Regions** illustrating the differences and problems.

**Chapter 2** is devoted to the **North-Western Federal District**. Although many of its developmental problems are similar to those found in Central Russia, the district is also marked by a number of peculiarities caused (to a significant extent) by the presence of far northern regions and Kaliningrad Region, which has the special status of a Russian exclave geographically separated from the rest of the country, with all the ensuing consequences. The chapter discusses environmental problems that are widespread in all northern regions with developed raw material and metallurgical industries, points to the existence of areas with a high prevalence of HIV/AIDS, examines differences between the labour market in the northern part of the district, where unemployment is consistently high (particularly among young people), and the southern part of the district with its elderly population, small number of economically active young people, and smaller competition on the labour market. Regional material analyzing the situation in the **Vologda Region** and **Komi Republic** provides a comparative and more in-depth study that identifies socio-economic policies that have the greatest impact on human development in North-Western regions and shows what results these regions can attain by themselves and through international cooperation.

**Chapter 3** is devoted to the **Volga Federal District**, which has a number of important features. First of all, the Volga Federal District is polycentric (in contrast, for example, to the Central and North-Western Federal Districts): several of its constituent regions have roughly equal levels of development, economic weight, and population. They compete with each other for leadership. Their economies are developed and diverse and include export industries, the food industry, and machine building. Each of the regional leaders has a major city with a population of approximately a million inhabitants, while the Samara Region has the country's third largest agglomeration in terms of population (Samara-Togliatti), which creates additional advantages for development of the service sector. Two of the leading regions – **Perm Territory** and **Samara Region** – have presented materials that describe the entire range of their human development problems and the socio-economic measures that they have taken to solve them. They offer a number of innovations that may be

interesting to other subjects of the Russian Federation. High standards of living in the leader regions underscores the gravity of problems in the least developed regions where socio-economic progress is minute, up to half of the population lives in poverty, and the poverty gap is so great that social protection programmes are unable to serve as a poverty reduction mechanism. It is interesting to note that the leader regions of the Volga Federal District have mostly average MDG indicators. The district serves as an example of the limited impact of economic development differences on MDG indicators. This impact is felt in income inequality, somewhat less in poverty indicators, and virtually not at all in socio-demographic and infrastructure indicators: urbanization and the presence of large urban agglomerations play a much greater role in the latter. The high prevalence of HIV/AIDS is the result of a whole series of factors, including high per capita income, the presence of urban agglomerations, and the district's frontier location. The impact of numerous factors turns the picture of social development in the Volga Federal District into a mosaic and makes it impossible to formulate general recommendations.

**Chapter 4** plays a special role in the Report. It analyzes the situation in the **Southern Federal District**, whose regions are at the centre of attention of the Russian government and international organizations. This is hardly a surprise, since the Southern Federal District lags behind the national average in virtually all socio-economic indicators, while the situation of post-conflict regulation and reconstruction sets this district apart from all other regions of the Russian Federation. Although the authors identify relatively well-off subjects in the Southern Federal District (one of them – **Rostov Region** – is described in a separate box), they show that their indicators are also considerably lower than the national average. There is no need to emphasize that the district's republics, which are poorly developed even by the standards of the Southern Federal District, have complex, vast, and hard-to-grasp problems. As the chapter shows, the republics' key social problems are "rural" in nature and are due to an incomplete transition not only to a post-industrial but even to an industrial economy. The ethnic republics of the Southern Federal District have unprecedented levels of poverty and unemployment even by Russian standards. According to the criteria of the International

Development Agency (IDA), five of these republics are "low income" regions (**Republic of Dagestan**, see a separate box), while three (including the **Republic of Adygea** and the **Chechen Republic**, which are described in separate boxes) are "low income – poorest" regions. The chapter also emphasizes that the key task in the North Caucasus – general stabilization of the situation and establishment of an effective dialogue between government and people – is not being properly achieved at present. Recommendations on MDG attainment in this region tend to address the long term. The authors note that major investment projects must be supplemented by measures aimed at institutional development and greater transparency in governance and use of state funds at the local level, in particular by involving the general public (local communities) in resolution of socio-economic problems and local self-government. Other important measures for the Southern Federal District are creating a favourable environment for the development of small business as a key source of employment; lowering administrative barriers and legalizing the region's economy, and then consolidating the tax base and developing effective budgetary relations; and increasing labour mobility in order to speed up human development.

**Chapter 5** studies the considerable diversity of socio-economic conditions in the **Ural Federal District**. It emphasizes that the administrative division of Russia into federal districts was quite favourable for the Ural Federal District from the standpoint of development potential. The presence of major oil & gas producing territories greatly augments the economic role of the Ural Federal District, which ranks second after the Central Federal District in gross regional product. The chapter shows that, although the Ural Federal District is marked by enormous regional differences in economic development, it is unique insofar as the majority of its constituent regions have a better ratio of per capita income to minimum subsistence level than the national average. The federal district includes **Tyumen Region** (discussed in a separate box), which ranks second in the Human Development Index in the Russian Federation. The chapter is also supplemented by a study of MDG attainment in **Sverdlovsk Region**. The federal district's regions have amassed important experience in solving problems in education, public health, and youth unemployment. Nevertheless, they

still have to address many other problems relating to human development and improvement of welfare of the population, such as environmental problems, low-quality housing, and a large gap between leader regions and depressive territories.

**Chapter 6** on the **Siberian Federal District** will be of interest to many readers, since Siberian regions have been implementing socio-economic policies fairly energetically in recent years in order to improve the quality of life of their inhabitants. Nevertheless, the analysis presented in the chapter gives grounds for concern. The authors emphasize that the leader regions of the Siberian Federal District depend greatly on international commodities markets and that good economic development indicators have not yet been matched by success in solving social problems. Regions with an average level of development have ambiguous prospects insofar as it is difficult to assess the competitiveness of their key industries, while agrarian and highly subsidized regions with depressive economies and long-term shortage of investments, which have virtually no viable economic sectors and live off federal subsidies, represent a considerable social and economic "burden" and reflect the entire range of problems in education, population mobility, access to medical and social services, employment, infrastructure and communications. Materials on **Irkutsk** and **Tomsk Regions** show that even Siberian leader regions experience complex social problems, whereas the survey of MDG attainment in the **Republic of Buryatia** shows a region whose male life expectancy is even lower than the dismal national average. Problems relating to infrastructure development and preservation of the unique natural environment are discussed in the survey of the **Altai Republic**. In discussing Siberian environmental problems, the authors could not overlook issues that relate to conservation of unique **Lake Baikal**, which is also discussed in a separate box. Concluding their general survey, the authors emphasize that it is much more complicated and expensive to solve social development problems in Siberia than in Central Russia. The experience of northern countries shows that social modernization begins in cities and large towns, which then become development centres for the surrounding territories. Another important aspect is the gradual concentration of the population in better developed areas,

which is already taking place in Siberia. A third aspect is the development of mobile social services (especially medical ones) for inhabitants of rural areas and remote territories.

**Chapter 7** on the **Far Eastern Federal District** analyzes the situation in the least populated federal district of the Russian Federation, which nevertheless takes up over a third of its territory. The authors discuss the district's difficult heritage (the Far East has always developed as a peripheral raw material region with an enormous land area and poor infrastructure) as well as today's problems (the economy is growing more slowly in the Far East than in the rest of the country). Although regions of the Far East have smaller differences in development than regions of the Siberian Federal District and especially the Ural Federal District, the relatively low level of inequality does not imply a high standard of living. All 10 regions of the Far Eastern Federal District get federal assistance, which partly compensates for the rising cost of living in remote territories with unfavourable climatic conditions. There are no development leaders in the federal district: one only finds territories with an average or below-average level of development. **Khabarovsk Territory** serves as an example of implementing socio-economic policy for human development in a region with an average level of development; in particular, the box describes several interesting aspects of education development programmes. Analysis of MDG attainment in the **Republic of Sakha (Yakutia)** emphasizes that it is possible to bring about considerable improvements in infant mortality and other public health indicators in difficult conditions by implementing sound and determined social, economic, and industrial policies. The material on **Sakhalin Region** shows that human development is a regional strategic goal and that implementation of a comprehensive set of measures has already led to improvements in a number of indicators. The problems

of the Far East are serious: prevalence of social diseases is growing, life expectancy is low (even for women), and the population is decreasing as a result of migratory outflow and high mortality.

Before turning to the report's final recommendations, the authors present two "thematic" chapters. **Chapter 8** shows that an adequate and full-scale system for assessing different social, demographic, income, educational, spatial, and economic indicators of living standards is essential for developing a unified policy of MDG attainment in a country where regional government bears the bulk of the burden in resolving social problems and is expected to implement measures that will assure a national standard of living adapted to local territorial living conditions. Such a system of assessment is still at an early stage of development in Russia, so there is a lack of accurate rapid estimates of the standard of living, preventing efficient tracking of local progress in MDG attainment. However, the Russian government has begun to realize that assessment of territorial differentiation in socio-economic phenomena is extremely important, so there is reason to expect that work to improve the national system for monitoring of living standards will continue – in particular, work to improve the quality of current assessments and forecasts of human development.

**Chapter 9** reconsiders the framework and priorities of the Report as a whole and may also be interesting and useful as independent material for study. It presents the calculated values of the Human Development Index (HDI) for the period 2003–2004, which serve in large part to illustrate the contents of the Report and justify its conclusions.

The Report ends in a traditional manner. The **Conclusion** presents the authors' recommendations on how to make regional development and socio-economic policies of the subjects of the Russian Federation serve the interests of human development.