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## CASE STUDY 12 – RUSSIA

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### **Private-Public Sector Dialogue in the Development and Implementation of Regional Projects: Tomsk Oblast, the Russian Federation**

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#### **Background**

Tomsk Oblast is one of 89 subject states of the Russian Federation. Located in West Siberia, it is about the size of Poland and has a population of over one million people. Around half of them live in the Oblast administrative center, the city of Tomsk.

There are oil and gas deposits in the north of the Oblast and a number of large agricultural enterprises in the south. The main industries are fuel, chemical, petrochemical, non-ferrous metallurgy, machine-building and metal processing. Tomsk is a major center of the Russian nuclear industry, and one of the leading scientific and educational centers in Russia, with six universities.

This case study looks at three examples of Tomsk Oblast's experience with public-private dialogue:

- A joint project on removal of administrative barriers to investment in Tomsk Oblast, conducted in cooperation with FIAS and with financial support of USAID, beginning in 2000;
- The development of the Strategy of Tomsk Oblast Development until 2020
- Preparation for the federal competition between regions of the Russian Federation for the right to establish a pilot Special Economic Zone in late 2005.

#### **International agency support brings an appreciation of PPD**

Tomsk Oblast first appreciated the benefits of public-private dialogue during a project on identifying administrative barriers to investment, which began in cooperation with FIAS in November 2000. Prior to this, there had been little tradition of dialogue between the administration and businesspeople, and there was some uncertainty on the part of all stakeholders when FIAS came in about whether such dialogue could be made to work.

The FIAS team came to Tomsk Oblast to define and evaluate the existing problems, and by summer 2001 a first report had been prepared with an analysis of the problems and recommended solutions. Three reports have now been prepared with recommendations on removal of administrative barriers. Two large-scale surveys of businesses have been conducted, and a work program has been developed and periodically revised on creating a favorable business environment.

During all stages of the FIAS project there was a constant dialogue with the business community of Tomsk Oblast. The goal was to involve a broad cross-section of businesspeople in discussion of priorities and strategy of the regulatory and investment climate reforms. Plans and results of the FIAS project were regularly covered by the mass media. As part of this project, FIAS organized

workshops for representatives of the administration about how to attract potential investors, and what information they needed to make investment decisions.

The process has high-level backing, being under the control of a vice-governor of the Oblast. Issues are considered at a commission on removal of administrative barriers and creation of a favorable climate for entrepreneurship, which involves representatives of the state Oblast agencies. Representatives of federal agencies and municipalities – the levels of territorial administration above and below the Oblast level – are invited to participate in meetings, together with entrepreneurs and representatives of business associations.

### **Focus groups are central to PPD in Tomsk Oblast**

The FIAS project involved focus groups organized with the participation of professional sociologists as facilitators. This approach proved to be very effective for finding solutions to the problems connected with reforming administrative barriers. After it was first used in Tomsk Oblast, the approach was then replicated in other Russian regions which participate in the FIAS project.

In total six focus groups have been held in Tomsk Oblast during FIAS missions, giving valuable experience enabling us to use the technique in other settings. Discussions involved representatives of business, state agencies, the regional administration and municipalities; focus groups can also be held with the participation of only one group of interest, such as entrepreneurs.

The presence of facilitators helped ensure that each participant was actively involved in discussions, and no single participant could dominate. All participants perceived the facilitators as neutral, which ensured they could express their views without any reservations.

Each focus group took about 2.5 to 3 hours, included no more than nine people and at least two facilitators – one to lead the discussion and the other to take notes. Participants could request that their contributions would be anonymous in the report of the focus group.

These discussions revealed which reforms businesspeople thought were most urgent, and which the representatives of state agencies thought were most practicable. Working from the reports of the focus groups, FIAS made a draft action plan for a reform program.

This project improved the investment climate of Tomsk Oblast, in particular by facilitating the public/private sector dialogue – a fact confirmed both by monitoring of the reform impact in 2002 and 2004, and the anecdotal opinions of the private sector.

### **PPD techniques contribute to the Strategy of Tomsk Oblast Development until 2020**

Learning from this experience, the administration sought the participation of regional businesses in developing the Strategy of Tomsk Oblast. This was approved by the Tomsk Oblast State Duma at the end of 2005.

The strategy was developed by the regional administration together with a Russian consulting company. Developing the strategy involved identifying the key challenges, problems, competitive advantages and opportunities for the development of Tomsk Oblast. On the basis of the analysis, a long-term vision was defined for the Oblast's development, aims and goals, and the strategic priorities of the regional administration. The strategy document is among the first experiences in Russia of using modern approaches of strategic management in government.

The strategy identifies these priorities for Tomsk Oblast: science and education, and innovation in the areas of biotechnology, information technology and new materials technology.

In developing the strategy, we understood that the results would largely depend upon how it was accepted by the regional business and scientific community. Therefore at all stages of its development we kept an active dialogue with all stakeholders.

In total over 300 experts representing enterprises, scientific and educational institutions participated in this work. The focus groups were organized along industry lines, including support sectors – finance, trade, construction, etc.

The general scheme of the work at every stage was the following:

1. Focus groups were organized to discuss the problems and define priorities.
2. The results of the discussion of all focus groups were aggregated by the strategy consultant, taking into consideration the opinions of Russian and international experts.
3. The consultant's report was again discussed in focus groups to get coordination and agreement.

To help regional enterprises and organizations develop their own strategies, together with the strategy consultant we conducted many workshops on strategic planning at an enterprise level. As a result, participating companies have got a better understanding the work of the administration and why the strategy is important for everybody, both public and private sector.

Despite the labor-intensive nature of the organization of the dialogue, the results have been worth the effort. Government has become more transparent for businesspeople. They have come to trust us, demonstrating understanding of our goals and recognizing the efforts we make to support and develop the economy of Tomsk Oblast. They know they can rely on our assistance, based on the mutually-approved priorities expressed in the strategy, and this should ensure the successful economic development of the region.

### **PPD's role in winning a federal competition to establish a Special Economic Zone**

Dialogue in Tomsk Oblast did not stop when the strategy was developed. It was central to capitalizing on an opportunity which presented itself when the federal government announced a competition for the right to establish a Special Economic Zone for new technology development.

Russia had no previous experience in holding this kind of competition, and when the announcement was made in September 2005 we had very little time for preparation. The main criteria for winning were to prove that there is scientific and innovative potential in a region and sufficient capability to host the special economic zone.

We proposed to the Tomsk scientific and educational complex, and selected innovative companies, that we should prepare for this competition in cooperation. We chose together priorities for the future economic zone – the development of biotechnology, information technology and new materials technology – and identified competitive advantages.

As a result of this collaborative effort, Tomsk Oblast became one of only four winners out of 28 regions which participated in the competition. We have now started the project implementation, and plan that in 2007 the Tomsk Special Economic Zone will be open for business.

## **Conclusion**

The results achieved by Tomsk Oblast make us confident about the region's economic prospects.

Cooperation with international organizations has been critical in the process of building successful dialogue, as they have helped us learn about and replicate international best practice. Their independent evaluations of our activity, proposals and recommendations have helped both public and private sectors to form a new mentality.

The success of PPD is shown by the fact that representatives of federal and regional state agencies and both Russian and international companies visiting Tomsk all note the high level of mutual understanding between the public and private sector, and our solidarity in achieving goals.

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Evgeny Babushkin has been Head of the Department of Investment and Economic and Legal Expertise in the Administration of Tomsk Oblast since February 2004. Before that he worked as Manager of the Tomsk Division of the Russian bank, Impexbank.

As Head of Department, Mr. Babushkin is in charge of interaction with investors and representatives of the business community. His department is in charge of overseeing the financial sector of Tomsk Oblast, including insurance companies, banks, financial agencies and various investment funds. He also participates in the activities and organization of various business associations as the representative of the Oblast administration.

The department headed by Mr. Babushkin was directly involved in the preparation for the competition on the free economic zones, and actively participated in the development of the investment policy section of the Strategy of Tomsk Oblast until 2020, as well as in the FIAS project on administrative barriers.

By education Mr. Babushkin is an engineer and economist. He has PhD-level degree in economics and has graduated from the Baltic State Marine Academy and Tomsk State University. Mr. Babushkin also lectures on banking in the Tomsk State University.