A comparative analysis of the cohesion policy in the Russian Federation and in the European Union

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First years of the economic growth of the Russian economy on one side, and the enlargement of the European Union on the other side, create much more similarities in the cohesion policy of both entities now than in the 1990-s. Russian Federation is experiencing the shift from the dominance of the operating transfers in the investment transfers as the equalizing tool. Their relative importance is naturally increasing in the contemporary period of stable regional development. On the other hand, after the access of new countries in the EU the contrast between regions will irretrievably increase though not reaching the level of disparities between contemporary Russian regions. In the year 2001 federal program of diminishing interregional disparities was elaborated in Russia. Its methodology, principles and methods of distribution of investment transfers took into consideration European experience in this field. Both Russian Federation and the European Union use simple formula-based criteria to determine the exact regions-participants of the equalizing program. Both entities have special approach for the rules of distribution of the central investment transfers for most lagging countries. But in contrast with the Structural Funds policy of the European Union the stress in the Russian case is mainly on the support of the "hard" factors of regional development - physical infrastructure and not on the "soft" factors (quality of the human capital) and direct branches of the economic activity like agriculture as is the case in the regional policy of the European Union.
Introduction

After 12 years of reform the Russian Federation faces the problem of settlement of significant social and economic inter-regional contrasts. There are many significant similarities in the cohesion policy of the European Union of the last two decades and the contemporary equalization efforts of the federal authorities in Russia. Comparisons in this area are justified because of neighbouring location, intensive economic and cultural exchanges, new situation of EU expansion after which both entities will adjoin each other.

The fashion for the comparative (institutional) analysis has been developing during the last decade, under the influence of monographs of the World Bank and its experts\(^1\). In Europe it is still underdeveloped, though its constructive potential is nameworthy. In the given work attempt to compare cohesion policy of EU on the materials of the last two decades and the Russian Federation using the facts of the last decade of reform is undertaken.

Certainly, EU experience cannot be transferred without transformation on the Russian ground. In the Russian case economic and social contrasts between regions are much deeper and changes in the territorial industrial structure, all system of federal relations (from plan and command to market economy) are of fundamental character.

Problems of inter-regional discrepancies in EU are put and solved in a different much more ambitious scale - like budgetary support of restructuring of the old industrial areas, now depressive, assistance of SME development to generate new jobs in the lagging regions. In the Russian case owing to the constant federal budget constraints cohesion policy is narrowed to the federal investment transfers in the limited in numbers regional projects in social and communal infrastructure.

1. A historical context of cohesion policy

The problem of equalization has a long history in both territories. Under the Soviet plan and command economy inter-regional cohesion was understood as “leveling”; as “pulling up backward national suburbs”. Economic and social differences between the Russian regions were rather great.

The problem how to restraint inter-regional economic and social discrepancies (especially between Soviet republics) held an outstanding place in the Soviet regional policy and even more - in the state ideology. The major tools of this policy were centralized investments, grants and subsidies, target prices, various social compensators.

In the EU the problem of overcoming inter-regional breaks was solved every time anew after the next cycle of its expansion. Increasing the number of countries - participants, the EU deliberately met the realities of aggravated heterogeneity of its economic space. Integration effect and expansion of the common market were the prize. But economic integration never resulted automatically to equalization of the level of economic and social development of the European regions.

Russian path to the market economy assumes refusal of the earlier used procedures of the regional policy of the Soviet time which provided “alignment” in terms of a planned economy. However instead of them new rules and the procedures more adequate to market realities are now offered.

Under the market conditions equalization is carried out on the marginal, and not average indicators and consequently has completely different intrinsic nature. Equalization is understood now as not the general smoothing objectively always existing differences, but as reduction of a contrast difference. Such approach has been realizing during the last two decades in the European Union. Each period of economic development of the country has the objective limits of realization of cohesion policy which are determined by the general requirements to support macro economic efficiency.

The nature of dynamics of the process of equalization was absolutely different in the two entities. In the EU the increase of number of problem regions occurred always after each cycle of expansion. Accordingly in these periods new norms and rules of management of the disparities were developed which then operated during the long period of time. On the other hand, in Russia sharp growth of number of regions in depression has taken place after the beginning of a radical economic reform, all at once. Before the period of reform contrasts between regions were gradually diminishing.

Usually experts mention three groups of the reasons of contemporary shocking contrasts in economic development between Russian regions:
1) regions with different structure of the economy and different mentality of the local community demonstrate different adaptability to the market conditions;
2) federal investments in regional development were considerably reduced and many previous, of the plan economy, regional economic and social compensators were lost and none was formed on the replacement basis;
3) political and economic inequality of different regions in the Russian Federation (first of all between republics and oblasts) in their relations with the federal center became the reality.

2. Structural funds of the European Union as the basic tools of inter-regional cohesion and their Russian analogues

Simultaneously with declaration of the goals of cohesion policy in 1975 special institutions were formed in the EU: Structural funds - the European fund of regional development, the European social fund, the European fund of guarantees for the agriculture. Their tasks included 1) assistance in development and restructuring of backward regions economy; 2) reconstruction of regions, boundary areas or parts of regions as employment zones and city communities touched by industrial recession; 3) struggle against long-term unemployment; 4) creation of favorable conditions for employment of youngsters; 5) reform of the agrarian policy.

Funds give financial assistance in one of the following forms: a) joint financing of operative programs; b) joint financing of some kind of the state assistance; c) allocating grants; d) joint financing of the appropriate projects, including the reimbursement; e) technical assistance and preliminary research for the development of projects. The form of assistance includes loans or other forms of joint financing of the certain investments; general loans; private financing of the technical assistance. Usually up to the 85 % of the total resources of the Structural Funds are channeled to provide catching up of the lagging regions.

In 1980-s, during the process of the further expansion of the European Union, new cohesion fund was created. It is not directly connected with the Structural Funds but as it is pointed to stimulate the development of the transportation it also promotes reduction of the most shocking economic contrasts between European regions.
In Russia Fund of regional development plays the role of Structural funds (and to some degree Federal fund of financial support of the regions as it distributes the current, not investment transfers). Its activity is aimed to stimulate socially proved investments of the poor regions of the Russian Federation, which do not have their own resources for this purpose. In spite of numerous attempts of the Ministry of Finance in Russia, its activity remains totally distributive - on a way from the federal budget to the federal programs of so-called “regional parity” (for Kaliningrad Oblast, the Kurils Islands, Republic of Tatarstan, Southern Republics of the Russian Federation, Russian Far East, and “Diminishing discrepancies…”).

Only when new federal program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)» has been implemented did the investment cohesion policy get active character. In Russia, in contrast with the European Union, the basic institute that carries out an investment cohesion policy is this federal program and not Fund of regional development which plays as was said purely technical role. It is in the program where the criteria of the distribution of federal investment transfers are elaborated and not in the Fund.

The basic player is not fund, but program - it is obvious Russian specificity which reflects many decades of departmental and territorial programming under the Soviet time. The given program has incorporated infrastructural projects of tens earlier existing programs of regional development. Regions applying for the state support within the framework of the program, are those in which “rates, scale and duration of decrease in production, in standard of living, population, demographic and ecological development are all below average Russian parameters”.

EU assistance within the framework of Structural funds is carried out only if the recipient regions do have plans and programs of regional development. The states - members of Community represent the plans of regional development to the EU Commission. They include the description of priorities of regional development and the appropriate actions; data about the assistance of funds and other financial institutions for realization of plans.

In the Russian Federation too since 2002 by the special statement of the Ministry for Economic Development and Trade there is obligatory demand for the recipient regions to
have regional programs of social and economic development. Only regions with such programs could apply for federal investment transfers of the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)». In Russia now as in the European Union it is considered that capital-intensive projects of the program taking alone without development of the general context of the regional development, without strong institutional basis, can not change the situation for the better. Money in this case will be spent, but without sizable progress.

3. Indicators used in the EU and Russia

At the level of the European Union few parameters for selection of recipient regions are used. These parameters are very simple and understandable for the authorities of various territorial levels, and for the community. Probably it is a correct way when it is necessary to capture huge and various territory.

EU authorities dealing with cohesion issues use quantitative and qualitative indicators for the selection of regions and projects for financing through Structural funds. The greatest share of financial resources of the Structural funds is allocated with the use of extremely simple parameter - per capita GRP, deflated by purchasing parity. If it is less than 75 % of an average for the European Union during the last three years then the region gets financial support. Under the EU conditions indicator of gross national product reflects well enough a level of development of the territory. Also for the purposes of equalization some other indicators are used like population density (for the northern territories), geographical remoteness, etc.

One more indicator frequently used in the EU cohesion policy is the indicator of unemployment - the average percent of unemployment registered for the last three years. If it exceeds an average level for the European Union then the assistance apparently will come.

In the EU the purposes of scientific research and cohesion policy are strictly divided at selection of indicators. For the first it is necessary to create comprehensive set of parameters. On the other hand, for the second the critical issue is the maintenance of necessary transparency and the accountability to a society, maximal simplicity of indicators. So very simple, obvious parameters are used.
In Russia, unfortunately, “genres” are mixed up: for selection of the regions - participants of the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)», 12 social and economic parameters are used (and it is offered even six more). The whole algorithm of calculations and getting the final result (to give or not to give and whom to give) is not obvious even for the municipal authorities and the common public. Discussions in this field are proceeding. Some experts suggest to use results of means test, to give the help proportionally to the depth of retardation. But nobody from them does see the decision in the maximal simplification of procedure.

4. The separate approach for the most depressive territories

Marginalism is the ideology of the market economy, that is marginal approach. Average standards is the ideology of a plan and command economy. Therefore it is no wonder, that EU cohesion policy provides the separate approach for the most poorly advanced regions, depressive territories of various type. For them the best rates of the financial assistance were established. Up to two thirds of the total budget of the structural funds are for their needs.

And this is near to be true in the Russia too. In the new project of the Technique how to select regions and projects of the federal program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)» the separate approach for the most lagging territories (softer conditions of competition, the simplified procedures of distribution of financial resources) is proposed. Simultaneously with realization of the projects in these regions it is required to change the whole form of management of budget flows in them - if debts of the region are increasing, if the level of subsidies is high, it is possible to initiate new mode of external finance administration. That means that simultaneously with granting the investment transfers to these regions it is necessary to improve their regional financial systems. Many of these territories have the small size of the economy that means, that throwing in even the small sums of federal investment support is capable to break the situation in them for the better.
5. Who are the recipients of financial resources?

In the Russian Federation they are regions. On the other hand, in the European Union they use different levels of cells to mark the recipient territories. For instance to apportion the underdeveloped territories they use cells of the second level, depressive territories - the third level. Cities and municipalities became more and more the objects of the EU cohesion policy in 1990-s.

For the purposes of the cohesion policy it is better to use territorial units of various levels. Only in this case geographical features of the territory and departmental structure can be taken into consideration. In EU criteria the majority of Russian regions is too big to become the base unit of the regional cohesion policy. In Russian case granting of the federal assistance to the lagging regions can under the reality of concentration of the lion’s share of it in the capital lead in practice not to decrease but increase of intraregional contrasts between capital and peripheral municipal entities.

Within the framework of EU cohesion policy two types of the problem territories are distinguished since 2000 - underdeveloped and depressive, i.e. testing structural reorganization (former crisis industrial and agrarian territories). The basic attention is given to the first type of territories.

On the other hand, in Russia recipient regions are selected not according to the type of the problem of regional development, but simply on the very fact of their lagging from the average level of development, and for concrete support of the infrastructural project. In the Russian case more broad ideological approach to cohesion policy "in general", instead of regions of concrete genetic type of development combines with the fractional character of the tools of such equalization, much more than in the EU.

To break the regions on the different problem groups under the conditions when the set of “medicines” is so limited (and can not be compared with the EU neither on volumes, nor on diversification of the direction of investment support), is not correct in contemporary Russian case. Therefore initial set of regions-recipients of the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)» further is not broken into any subgroups but all participates in the subsequent competition of projects.
6. Agency cost problem in the cohesion policy

As is well-known, under the agency cost problem the agent of the principal has stimulus to deviate from his instructions and to understand them in his own way, to his advantage, that is called opportunism. The problem of trust becomes even more complicated under the existence of several agents, because in this case there is a problem of interpretation of instructions of the principal. For example, in the French version of the EU cohesion policy the term “de l’aménagement du territoire” is used, in English – “regional / spatial planning” is applied.

It is no wonder, that in the European Union special efforts to provide unity of understanding of phenomena of regional development and regional discrepancies, the basic terms (problem region, inadmissible deviations in development etc.) by the different “agents” of the different countries are regularly realized. For this purpose the EU encourages the use of his approaches by national authorities in the organization of the assistance to the problem regions.

For example, many countries use criteria of 75 % of per capita gross national product under realization of equalizing policy. When in the region per capita total regional product is less than national it has the right for the aid of the central government. Such approach provides concurrence of the borders of the recipient territories.

Parallel existence of regional policies of two levels in the EU is a reality. It is natural, that these two policies should be coordinated, or else budget resources of all levels will be used ineffectively.

In the Russian Federation uniform rules for a federal and regional cohesion policy are just formed. The federal program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)», is a first step to them. Even at the federal level precise rules of this new cohesion policy have not elaborated yet. It is necessary to prepare the special rules that regional authorities, carrying out cohesion policy at their level, act synchronously with federal authorities. In contrast with the EU, Russia does not have active regulation of cohesion policies of the regions at the federal level.
7. Long-term or short-term character of equalizing policy?

In the European Union borders for the underdeveloped areas are established for several years, and many of them keep this status over one decade. This order admits significant persistence of both territorial and branch structures. And indicators which form the basis for decision making, as a rule, are taken for the last three years.

Simultaneously the EU authorities undertake special measures to wake the lagging regions for self-development. For this purpose the special Commission of the European Union before expiration of control term reconsiders the list of regions to which the assistance is given. On the basis of its recommendations, after series of consultations with the European Parliament, the new list of recipient regions is later formed. Regions beforehand receive the information which from them will lose the status poorly advanced or depressive in the next time cycle.

In the Russian Federation usual system of budget planning, including allocation of the federal investment resources under the federal programs, annually confirmed and constantly corrected, does not promote formation of long-term horizon of any economic policy, including regional cohesion policy.

It is possible to consider it a failure, but still it is inevitable stage of transition from Soviet system of annual allocation at the central level of scarce material resources of every kind to now similar allocation of scarce resources of the federal budget. The last is still far away from the more adequate to market economy short- and long-term budget planning on the basis of the proclaimed priority purposes of the state economic policy.

Experts in the field of a regional policy recognize that procedures of annual selection of regions for participation in competition of projects under the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)», have ritual character for backward regions because their list is enough well-known. On the other hand, for “boundary” (not too bad in economic situation) regions which quite often receive the basic financial resources of the program, selection of regions and competition for the project money can become the tool of lobbying, quite often successful attempt of displacement from objective criteria.

In the European Union replacement of the formal procedures by the informal is applied, as a rule, to “strangely” depressive, crisis regions. On the contrary in the Russian
Federation, a withdrawal from quantitative estimations and application to informal procedures is applied, as a rule, to those regions which by formal criteria never would receive assistance.

Efforts of the federal centre on mobilization of energy of regions are very limited in Russia. In the version of a new Technology of distribution of investment transfers of the program it is offered (appendix) to award those regions which is oriented on minimization of the federal assistance in regional projects, or are ready to abandon initial demand of the federal support. Thus, attempts to stimulate regions to rely upon their own, to refuse of a policy of simple hunting after federal investment transfers are undertaken. But this is a very difficult “business”, and progress in formation of new stimulus of behaviour for participants of the federal equalizing policy is very slow.

8. Support only the state infrastructural projects or state and commercial?

In the European Union, assistance under the framework of cohesion policy stretches to not only infrastructural projects but also to small business activities. EU cohesion policy is probably the unique case of direct assistance of the state to business activity in the problem areas. It is well known that significant involving of the state in sphere of business activity forms unequal conditions of competition in the market. However the purposes of cohesion policy admit such kind of assistance for the local community, and in this case there is a deviation from the standard norms and rules.

On the other hand, in the Russia program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)» not only does not finance socially significant commercial projects, but moreover has no right to support enterprises of mixed property even with significant state participation. It finances only state-owned infrastructural and social projects. It is no wonder therefore, that commercial banks which actively participate in procedures of the investment competitions organized by the European Union, in the Russian case cannot be partners of the federal authorities in realization of a regional policy.
9. The flexible or rigid approach?

In the European Union the cohesion policy is realized in a very flexible form. The list of the regions allocated by formal criteria, can be supplemented with exceptions. Selection of regions for assistance of their structural industrial and agricultural reorganization is based upon procedures of the coordination of the EU and national institutes in the greater degree, than on the formal.

The assistance of Structural funds and other EU financial institutions uses various methods of financing depending on character of actions. The structure of EU support in case of need can be reconsidered and adapt under the initiative of the state - a member of EU - according to the new information and the results received during performance of actions. Though the share of participation of the European Union in programs of financing is established precisely enough, in some cases the degree of EU participation can grow considerably.

In the Russian case in the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)» the ideology of the rigid circuit of acceptance of decisions and financings of regional projects was incorporated. Further it is required to bring it to a more flexible form. In the offered project of the Technique mechanisms of more flexible approach - are incorporated first of all in realization of competition of projects and distribution of federal means. Obvious transition from very rigid to softer and flexible approach in realization of federal cohesion policy is carried out, for instance in the project of new Technique of the allocation of the federal investment transfers.

10. Financing projects or financing programs?

The basic part of the EU assistance to the regions is channeled through programs of development, and not just separate projects. It is supposed that such approach provides cumulative effect of influence on regional economy, and is more effective.

However even its supporters in Russia recognize that now shift to it from contemporary project-based approach is absolutely unreal. The federal budget can not carry out all obligations under individual projects and cannot do it under regional programs of development. The existing financial discipline does not allow to give wide freedom of
distribution federal resources to the regions within the framework of programs. Project approach can narrow for the regions the abilities of financial maneuver aside from the goal of cohesion policy.

11. Institutions of implementation of the cohesion policy

In the European Union the policy of reduction of inter-regional discrepancies is realized by the Commission (quasi-government). One of its members answers exclusively for a regional policy. All decisions about the choice of indicators, and then about the selection of concrete territories are legalized through decisions of the EU Commission (some kind of the government in which there is the "commissioner" responsible for a regional policy) and the European parliament.

In the Russian Federation policy of diminishing discrepancies are carrying out in the conditions of quite often interdepartmental competition and contradictions between the Ministry of Finance and Ministry for Economic Development and Trade. The Ministry of Finance is more preoccupied with the technical side of channeling federal investment transfers not through programs, but through new funds, under its inspection. On the other hand, Ministry for Economic Development and Trade aspires to keep influence on this process through increase of the status of the Program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)».

Conclusions

The modern Russian cohesion policy as its comparison with a similar policy of the European Union shows is internally inconsistent and in the stage of development. Large problem of smoothing social and economic contrasts between regions is solved by a set of very limited tools, that is federal investment transfers for social and communal infrastructure. As a matter of fact sharp current problems of municipal reform substitute more strategic problems of decreasing the breaks between regions.
To diminish discrepancies between regions through financing of infrastructural projects in postindustrial era is impossible by definition. It always will be only the partial decision.

The equalizing policy is understood now extremely narrow. That can be justified only from the point of view to increase the speed of decisions of short-term striking problems. In reality the problem of inter-regional reduction of contrasts includes themes of “new economy”, globalization, development of human resources and many others, peculiar to postindustrial era. Now all of them are mentioned in the governmental documents separately from a problem of regional parity. Works of our colleagues in the European Union show that the maximal (long-term) equalizing effect will have budget investments in development of human resources - improvement of quality of their education, health and mental abilities. Infrastructural investments have only medium-term effect\(^2\).

It will be important for Russia too, after liquidation of the glaring contradictions of the infrastructural development partly inherited from the Soviet time to switch from investments in hard factors to soft ones.

Appendix

Major features of the **Technique** how to select regions and projects of the program «Diminishing discrepancies in social and economic development of the Russian regions (2002 - 2010 and till 2015)»

(terminal version)

1. Why this technique is necessary?
   • purely political factors still play essential role in the distribution of federal investment transfers of the program;
   • allocation of federal investment transfers is subjectively, not enough transparent, and their use is not effective;

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• there is no definite uniform criteria of granting federal investment assistance under the program;
• regions requirement for federal investments is usually overestimated, simultaneously their own efforts in co-financing of the projects are insufficient;
• the system of monitoring the implementation of investment projects of the program has not yet created.

Transition from the previous model of administrative investment transfers to competitive is necessary.

2. The technique gives the answer:
1. How to organize procedure of selection of regions, projects and distributions of financial resources of the program?
2. What is the sequence of procedure to select regions and projects?
3. How to determine regions - participants of competition process to choose the projects to finance?
4. How to share the information on competition and how to fill application forms?
5. By what criteria applications of regions are chosen?
6. How the total amount of federal money for the program is defined? What basic investment directions are in the program and how financial quotas between them are allocated?
7. How to select depressed regions and how to organize competition of their projects?
8. How to select projects for the basic investment directions and to organize competition of the projects?
9. Why the second (final) round of competition of investment projects is necessary?
10. How do the final results of competition affirm?

3. Main principles of the Technique
• soft limitations for the regions to participate in the competitive process: participants have the level of social and economic development less than average Russian (40-45 regions);
• separate approach for highly subsidized regions; their projects are examined by experts in the special order, without breakdown on directions and are ranged by the analysis of hierarchies;
• tough competition of investment projects for all other regions - participants in three directions: social projects, projects of development of an engineering infrastructure, projects of an engineering infrastructure for education and public health services; with separate competition of new projects and proceeding inside each direction;
• expert estimation of the given projects by a cumulative method to sum points by the basic criteria;
• two-stage competition for the projects

4. Conditions for participation in the program
• participants in the program can be regions that have more than 10 points deviation from the average Russian level (or 80 % and less of the average Russian basic economic indicators) (no more than 37);
• border regions with sudden deterioration of a social and economic situation during the last year (no more than five);
• two regions in reserve

5. Quota policy of the Technique
• fixed quota of investment transfers for highly subsidized regions - 12 %;
• fixed quota of investment transfers between three directions - not less than 40 % for social projects; no more than 40 % - for engineering projects; no more than 20 % - for projects of development of an engineering infrastructure for education and public health services (from the amount that has left after distribution of a quota to highly subsidized and reserve regions);
• quota for subdirections - for new projects no more than 30 %;
• share of federal co-financing for the projects of highly subsidized regions - no more than 70 %, for all proceeding and new projects of reconstruction - no more than 50 %, for new projects of new construction - no more than 30 %.
6. What should contain applications of regions?

- complete list of the objects to participate in competition, with brief description (under the authorized form);
- documentation on each object - conformity of the object to the purposes of the program, with characteristics of its social and economic efficiency;
- regional executive authority obligations to co-finance the object;
- report about the use of the program investment money in the past (in case of participation in it in the previous years);
- program of social and economic development of the subject of the Russian Federation, prepared according to the model, authorized by Ministry for Economic Development and Trade;
- questionnaire of the subject of the Russian Federation (under the form authorized by Ministry for Economic Development and Trade);
- contact phones and addresses to receive additional information.

7. Disqualifying criteria for the application

- inadequacy of the project to the purposes and problems of the program and the established investment directions;
- inadequacy of the budget documentation in the submitted projects to the normative requirements;
- duplication of the project or its part in other federal programs;
- lack of precisely certain quantitative estimation of social and economic efficiency of the project;
- share of required federal co-financing in the project surpasses a conditional average quota of the region - participant more than three times;
- non-federal share of guaranteed co-financing in the project does not meet the specifications established in the present Technique;
- investment cycle of the project exceeds five years;
- data, submitted in the application, do not correspond to the validity, or can not be confirmed documentary.
If infringements are found out more than on three objects of one region and corrections is not made, all applications of the region are removed from consideration

8. Participants of the competition process (of investment projects)

Ministry for economic development and trade
1. Makes a decision about the competition process and defines regions - participants
2. Approves the experts in the competition process
3. Preliminary defines amount of federal investment transfers in the program and quotas on investment directions
4. Finally specifies amount of federal money in the program and quotas on investment directions
5. Approves results of competition

Expert council
1. Carries out preliminary examination of documents and approves the list of the objects admitted to the competition process
2. Estimates projects of preliminary competition and selects participants for final competition
3. Estimates projects for a final part of competition

Corporation «Management of federal programs»
1. Places in mass-media the announcement of competition, conditions, potential participants
2. Approves structure of Expert council
3. Carries out preliminary examination of documents and approves the list of the objects admitted to competition
4. Preliminary determines the amount of the federal budget on the program and quotas on investment directions
5. Carries out preliminary competition of projects and selects objects for final competition
6. Helps in completion of applications for a final part of competition
7. Specifies amount of federal money of the program and a quota on investment directions
8. Carries out final competition
9. Approves results of competition
10. Publishes in mass-media results of competition

**Regions**

1. Prepare applications for competition and direct them to Corporation «Management of federal programs»
2. Finish investment applications for projects - participants of a final part of competition

**9. Projects of highly subsidized regions**

highly subsidized regions - a deviation from the Russian average level of social and economic development is more than 45 points;
joint, without breakdown on directions, consideration of all sent projects (no more than 25-30);
expert estimation of all projects by three criteria - a geographical position of the project; number of regional beneficiaries from the project; volume of integration and duration of positive effects from the project;
preliminary and final competition - method of the analysis of hierarchies

**10. Estimation of projects of regions**

*External (regional) indicators*

- degree of a deviation of social and economic values from the Russian average in a complex estimation;
- performance by regions of the current budgetary obligations in the last year;
- quality of an investment policy in the region;
- results of the previous years of realization of the program (if any)

*Internal (of the project)*

- importance of the project for region of its accommodation;
- scale of benefits from the project - on a share of inhabitants-recipients of new services;
- size of social effect on rouble federal investment transfers;
- period of investment cycle of the project;
- inter-regional, inter-settlement or intra-settlement effect of the project;
- quantity of new workplaces created by the project;
• complex or one-direction character;
• reconstruction or new object.

11. Final competition

Projects of the highly subsidized regions

• selection of the projects with 30 % excess of a quota
• analysis of hierarchies for final selection of projects - winners

Projects of other regions - participants

• selection of the projects with 30 % excess of a quota;
• analysis of hierarchies is used in every subdirection for final selection of projects – winners;
• winners are the projects from the top part of the list on each direction - until their total volume of financing from the federal budget will not exceed a quota on each direction;
• difference between a quota on each direction and total volume of financing of projects - winners is covered from a reserve by Corporation «Management of federal programs»