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**Can Local Participatory Programs  
Enhance Public Confidence:  
Insights from the Local Initiatives  
Support Program in Russia**

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## **Abstract**

This paper reviews the performance of the Russia Local Initiatives Support Program (LISP) as an instrument for directly addressing the needs of the population to access socioeconomic infrastructure, for increasing public confidence in self-governance frameworks and institutions through dialogue and community budgeting consultations, and for strengthening the capacity for local self-governance. The paper does this by looking at historical and survey data from the implementation of the LISP methodology as part of regional programs in Russia.

**JEL Classification:** H53 – Government Expenditures and Welfare Programs; H75 – State and Local Government: Health • Education • Welfare • Public Pensions; I38 – Government Policy • Provision and Effects of Welfare Programs.

**Keywords:** citizen engagement, community-driven development, participatory budgeting, initiative budgeting, Local Initiatives Support Program, Russia.

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## Acronyms

LISP	Local Initiatives Support Program
LPM	Linear Probability Model
MoF	Ministry of Finance [of the Russian Federation]
PB	Participatory Budgeting

## Glossary

**CITIZENS:** The permanent residents of a town, city, municipality, or community, who have some form of legal local residency status that includes specific rights and obligations.

**INITIATIVE BUDGETING (IB):** A term used to describe a variety of participatory budgeting practices that exist in Russia and share some features that are not quite common internationally, such as: (i) final approval of (micro)projects based on a set of formal criteria; and (ii) administration, financing and supervision at the regional (sub-national) rather than municipal level. Additionally, most IB practices (including LISP) require co-financing of (micro)projects by citizens and local business.

**LOCAL INITIATIVES SUPPORT PROGRAM (LISP):** A methodology for participatory (initiative) budgeting developed by the World Bank for Russia regions and based on the principles of direct involvement of citizens in identification and prioritization of microprojects, final approval of microprojects based on a set of formal criteria, and cofinancing of microprojects by citizens and local business.

**MICROPROJECT:** A short-term activity, selected and implemented under the LISP principles, that is meant to address a specific challenge faced by the community, and that can be managed at the local level. Microprojects can be stand-alone in nature, but they are effective building blocks for larger projects as well.

**PARTICIPATORY BUDGETING (PB):** Participatory budgeting (PB) is a decision-making process through which citizens deliberate and negotiate over the distribution of local public resources

(Wampler, 2007: 21). Decision-making process includes direct participation in identification, discussion, and prioritization of projects to be financed from the public budget.

**SOCIAL NEEDS:** The needs that create social value and opportunities for people to have an active and effective role in society.

**SOCIOECONOMIC INFRASTRUCTURE:** In the context of LISP, socioeconomic infrastructure encompasses any of a number of assets typically used to accommodate social or public services, and that are owned, maintained, and run by the municipalities authorized by local legislation to implement LISP-type subprojects.

## Executive Summary

The Local Initiatives Support Program (LISP) is a participatory project identification and financing mechanism that is used by Russian regions to provide financial support to microprojects initiated directly by local communities. These microprojects are delivered through the joint efforts of local authorities, local businesses, and the local population.

Although the LISP methodology is tailored to each region where it is implemented, it pursues two overarching objectives that cut across all regional programs:

- 1) To improve access and quality of local socioeconomic infrastructure and services, and
- 2) To improve the communication and dialogue between citizens and local authorities.

The available data and information from the years of LISP experience across Russian regions reveal important differences between LISP participants and non-participating communities concerning specific outcomes. Overall, data suggest that LISP could have contributed to improvements in access to and quality of local socioeconomic infrastructure, and to the effectiveness of the communication between the population and local authorities.

First, by financing microprojects, LISP-based regional programs produce numerous assets that are highly valued by the beneficiaries and result in better social services and improved small-scale infrastructure. The participation of regions and communities in LISP-based programs increased steadily over the years, and coverage grew. The very nature of the LISP process incentivized regions to implement the project in disadvantaged areas, and – although there was no poverty-based targeting – beneficiaries were often people from poor and vulnerable rural areas.

Second, participation in LISP-type programs improves communication between local authorities and communities and likely leads to increased public confidence in local governance mechanisms. In LISP participating settlements, public satisfaction with local infrastructure and services is higher compared to nonparticipating communities.

The LISP methodology contributes to these results through its versatile design, which provides needed flexibility, while at the same time consistently employs several important principles: directly involving the population in identifying problems and their solutions; unlocking the potential of local communities and local self-governing bodies, promoting openness and transparency; and concentrating practical work at the grassroots level. Another winning element of the LISP design is embedding all key processes in national administrative, budgetary, and legal systems, which helps build institutional resilience.

## I. Introduction

### **Institutional and Social Context**

Although it is an upper-middle-income country, Russia still faces a number of development challenges at the local level. Russia is characterized by noticeable differences in social and economic indicators between its urban and rural areas. While cities enjoy better infrastructure and access to services, many rural municipalities face persistent problems with both the quality of, and access to, the basic socioeconomic infrastructure and communal services, such as water supply, roads, and wastewater disposal. Poverty rates in these areas are often higher, and social safety net mechanisms are weaker because of lower administrative government capacity, lower economic development, and physical distance from major cities.

Second, while the responsibility of meeting the basic social needs of the population, including development and maintenance of the local socioeconomic infrastructure, falls on the municipal level, many small municipalities lack the resources to effectively address these needs. Under the highly centralized Russian budgetary system, most resources are accumulated at the higher levels (federal and regional), and then redistributed down to the municipal level through centralized state programs with earmarked funds (*see Box 1 with Russia's administrative structure*). These programs are usually geared toward larger infrastructure of national and regional significance, and therefore have limited impact in addressing basic local needs, particularly in smaller settlement-level municipalities. On the other hand, local governments have little other sources of income to address specific needs of their populations that do not fall under the earmarked programs.

Third, the local self-governance system in Russia is still in the initial stages of developing citizen involvement in decision making. While by the early 2000s Russia had put in place a framework for legislation that provided for various forms of citizen involvement in self-

governance (public meetings, gatherings, conferences, etc.)<sup>1</sup>, the newly available tools were not systematically used in practice. Decisions on spending budget funds are often made in a centralized way, and signals about needs and gaps voiced by the population are not explicitly

**Box 1. Jurisdictional Divisions of Governance in the Russian Federation**

Russia is a federative state comprised of two main types of administrative units: subjects (regions) and municipal entities. There are over 80 subjects of the following types:

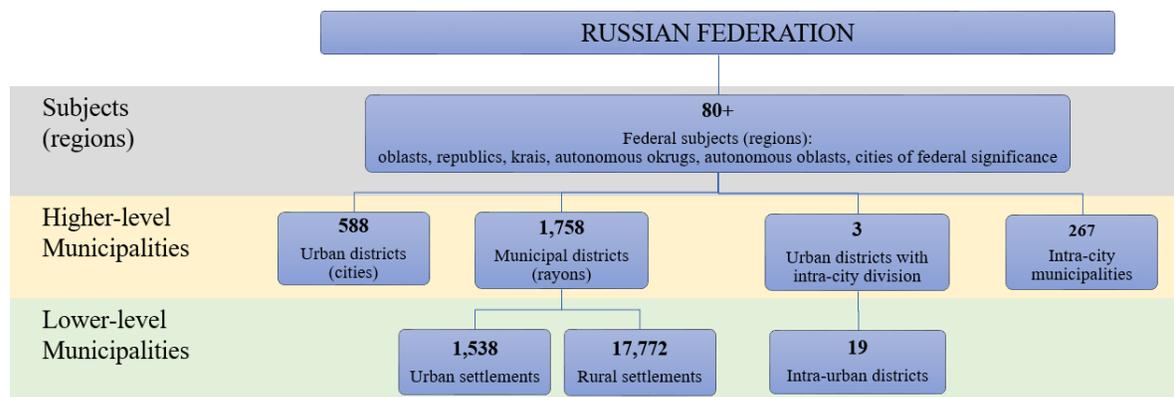
- Republics
- *krais*
- *oblasts*
- cities of federal significance
- autonomous *oblasts*
- autonomous *orkugs*

These six types of subjects have equal rights, and their administrative borders are enshrined in federal laws. Each subject of Russia is free to establish further internal division. The municipal (local government) entities follow a two-tier principle: high-level (mostly districts) and low-level (mostly settlements) municipalities. The law allows seven types of municipal entities:

- rural settlement
- urban settlement
- municipal district (*rayon*)
- urban district
- urban districts with intra-city division
- intra-urban districts
- intra-city municipalities

All 21,945 municipalities are organized within 80+ regions and cities of federal significance.

***Russia’s administrative system with number of units of each type***



<sup>1</sup> Federal law #131-FZ, dated October 06, 2003, “On general principles of local self-governance in the Russian Federation.” Chapter 5 of the law outlines several forms of citizens’ exercise 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 grassroots participatory democracy principles.

used in prioritizing expenditures (Yushkov, Savulkin & Oding, 2017; Zubarevich, 2014; Hanson, 2006).

As a result, a great number of issues that are significantly important for the population at the local level remain unresolved (Zhuravskaya, 2010: 77). According to the latest available official data over a quarter of the Russian population (36 percent of the poor population) live in rural areas with poor access to infrastructure and services: two-thirds of all rural settlements do not have a centralized water supply; 95 percent of rural settlements have no sewerage; one-third of rural settlements have no hard-surfaced access roads.<sup>2</sup> This results in the lack of citizens' confidence in local authorities, which is according to the Center of Sociological Research of the Russian Presidential Academy of National Economy and Public Administration, currently the weakest compared to confidence in all other levels of governance, and which keeps declining (60.3 percent in the beginning of 2015, and 46.4 percent of 2016).<sup>3</sup>

In 2005, the Government of the Russian Federation approached the World Bank with a request to develop a participatory instrument for identifying and addressing basic social issues at the local level. That instrument was later officially named the Local Initiatives Support Program (LISP). The main idea of the LISP is to directly engage the population in identifying local-level social priorities and to help channel funds directly to support these projects. Under LISP, citizens would identify and then vote for the projects aimed to improve local-level socioeconomic infrastructure, and once certain projects are selected, funds from the regional budget are transferred directly to the settlement budget to support

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<sup>2</sup> Latest available data from the Russia National Statistics Service (Rosstat), [http://www.gks.ru/free\\_doc/new\\_site/population/urov/urov\\_52.doc](http://www.gks.ru/free_doc/new_site/population/urov/urov_52.doc); [http://www.gks.ru/free\\_doc/doc\\_2016/jil-hoz16.pdf](http://www.gks.ru/free_doc/doc_2016/jil-hoz16.pdf); [http://www.gks.ru/bgd/regl/b13\\_13/IssWWW.exe/Stg/d1/06-45.htm](http://www.gks.ru/bgd/regl/b13_13/IssWWW.exe/Stg/d1/06-45.htm)

<sup>3</sup> Between early 2015 and early 2016, levels of trust in the government declined from 79.8% to 59.4%; trust in the governors declined from 72.8% to 58.6%; trust in regional parliaments declined from 68% to 51.3%; and trust in municipal parliaments from 64.9% to 46.8%. See details in the article in RBC: <https://www.rbc.ru/politics/29/03/2017/58dbb1ed9a7947e4c4de9dcb>

implementation. In this way, the flow of funds bypasses all the intermediate units, including the district (*rayon*) level which is not the case for the regular interbudgetary transfers.

Stavropol Krai was the first region in Russia to pilot LISP in 2007. Currently, the LISP is the most widespread participatory model in the country (Shulga and Sukhova, 2016b). With the support of the World Bank, LISP was implemented in 10 territorial units (regions<sup>4</sup>): Kirov Oblast, Tver Oblast, Nizhny Novgorod Oblast, Sakhalin Oblast, Stavropol Krai, Khabarovsk Krai, the Jewish Autonomous Oblast, Republic of Bashkortostan (Shulga, Fadeeva and Sukhova, 2017), Republic of North Ossetia-Alania, and Republic of Sakha (Yakutia). Since 2007, LISP in these regions has supported nearly 8,000 microprojects in about 2,000 municipalities. Microprojects included repairing roads, refurbishing water supply facilities and community centers, constructing children playgrounds and sport facilities, landscaping and territorial improvement, as well as other initiatives within the authority of local governments. Annually, around 300,000 people take part in over 3,000 community meetings in these 10 regions. At present, 29 regions of Russia actively use the LISP approach, some without direct participation of the World Bank.

The purpose of this paper is to showcase how LISP<sup>5</sup> has enhanced basic social protection by directly addressing the socio-economic needs of the population and encouraging local self-governance by helping strengthen public confidence in local authorities.

By financing public infrastructure microprojects, LISP-based regional programs produce numerous assets that are highly valued by the beneficiaries and result not only in improved small-scale infrastructure but also in better access to social services. The LISP mechanism creates incentives for regions to expand coverage, and to implement the project in disadvantaged areas. The LISP-based programs ensure additionality of resources provided to poor communities and an effective use of these additional resources in improving social

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<sup>4</sup> The term “region” is used in this paper as the general term referring to the administrative level of any of 80+ autonomous subjects of the Russian federation, as described in Box 1.

<sup>5</sup> Henceforth, the use of “LISP” in this paper will not refer to a specific program, but to the practice of participatory budgeting developed by the World Bank and based on a mechanism of direct citizens’ involvement in solving various development challenges of local importance.

services and increasing social capital in the target often hard-to-reach vulnerable groups. While LISP-type programs do not have poverty-based targeting, beneficiaries were mostly people from poor and vulnerable rural areas.

Participation in LISP-type programs improves the capacities of local authorities to implement and provide better services to their most vulnerable and needy communities. LISP-type programs improved the communication between local authorities and communities, which likely lead to increased public confidence in local governance. In LISP participating settlements, public satisfaction with local infrastructure and services is higher compared to nonparticipating communities.

The paper is based on historical data from the Government of the Russian Federation and its official statistics, World Bank and participating regions' LISP reports, and the results of a survey of citizens' and government representatives' perceptions, conducted in 2017 in four regions: Tver, Kirov, Nizhny Novgorod, and Ulyanovsk oblasts<sup>6</sup>. The survey methodology is presented in *Annex A*.

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<sup>6</sup> The survey was conducted within the joint project of the Ministry of Finance of the Russian Federation and the World Bank's "Strengthening Participatory Budgeting in the Russian Federation."

## II. Evolution of LISP

The history of the Local Initiatives Support Program dates back to 2005, when it was developed by the World Bank based on the methodology that combines key principles of participatory budgeting (PB) and community-driven development, including transparency, participation, accountability, and enhanced local capacity.

LISP was first launched in Stavropol Krai in 2007. Many more regions have used the LISP mechanism since then. The second region that launched LISP – Kirov Oblast – started implementation in 2010, three years after the first pilot in Stavropol Krai. Since LISP was a new instrument with little experience and evidence base, the process of engaging new regions was initially slow. Over the course of several years, the World Bank team and participants from the pilots promoted the LISP and its positive effects to the regional authorities.

By 2015, LISP had been successfully launched in a dozen Russian regions. The World Bank was directly engaged in supporting LISP in eight of these regions, while in parallel some other regions had started to implement LISP-type programs on their own. The idea of citizens' engagement in decision-making and budget planning became more and more popular, and other PB models based on different methodologies<sup>7</sup> were developed and successfully tested in several Russian regions. At that time, it became obvious that the demand from regions for LISP-type programs was growing and that there was a need to build an institutional infrastructure that would allow the World Bank to assist interested regions in the design and launch of LISP programs. At the same time, a broad public discussion was initiated at the national level on budgetary practices involving citizens, and the term *initiative budgeting* was coined to signify the set of various Russia-specific participatory practices (Shulga et al. 2017).

In the period 2015–16, the Russian Ministry of Finance (MoF) took note and became interested in the LISP and PB development. The MoF interest stemmed mainly from the

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<sup>7</sup> For example, a PB model developed by a design group of the European University in St. Petersburg supported by the Kudrin Fund for the Support of Civil Initiatives.

potential of these methods to lead to more efficient use of budget through participatory mechanisms: first, through a better focus on the issues that local populations perceived to be top priorities; and second, because of the reinforcing mechanisms of public oversight and monitoring through local participatory decision-making. MoF expressed interest in the promulgation of LISP and other PB processes across Russia. As a result, a joint project of the World Bank and the MoF “Strengthening Participatory Budgeting in the Russia Federation in 2016–20” was launched in April 2016.

The main goal of this joint World Bank-MoF effort is the development of PB practices on a large scale in regions through replication of the most successful regional PB models. This is done by supporting regional pilots, strengthening the capacity of local stakeholders for implementing PB, and setting up an institutional infrastructure and a system for information exchange (including at the international level). It was expected that about 30 regions (slightly more than a third of all regions) would participate. However, demand for the project activities was so high that by the end of 2017 the number of participating regions reached 45. As of March 2019, that number had risen to 52 regions<sup>8</sup>, which represent over 60 percent of all Russian regions (see Figure 1).

As a first step in the formation of the PB institutional infrastructure, a Center for Initiative Budgeting was established at the MoF’s Institute for Financial Research. In parallel, the project supported the creation of over 20 regional project centers to coordinate and support PB activities at the regional level by facilitating meetings of local communities, consulting local stakeholders at all project stages, and monitoring project implementation.

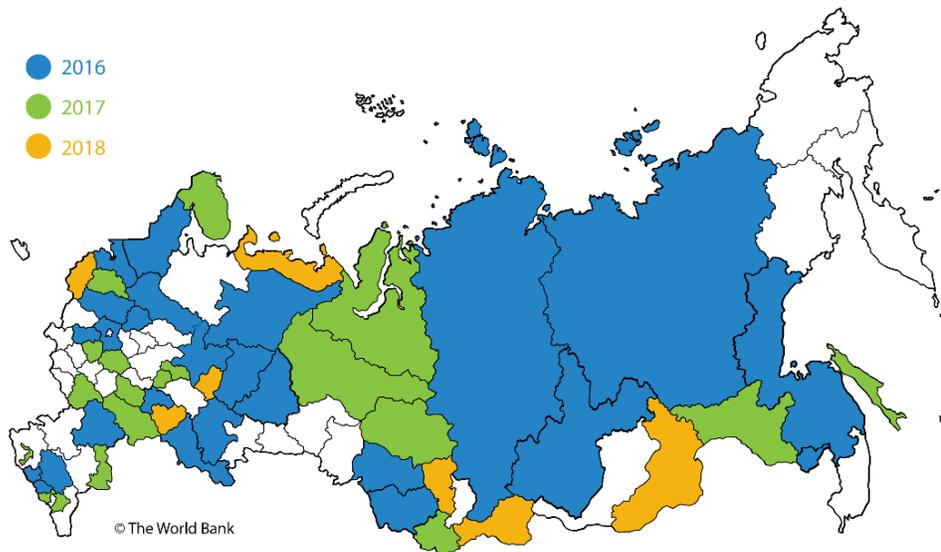
Currently, LISP is the most widespread participatory model in the country. Being the first of its kind, LISP can be considered the engine of the broader expansion of PB practices across Russia. According to data from the official monitoring conducted by the MoF, 4,253 PB

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<sup>8</sup> 29 out of 52 regions participating in the World Bank-MoF project implement LISP. All other 23 regions are either at the preparation or piloting phase of LISP or implement other PB models different from LISP (PORT, School PB, etc.).

microprojects were implemented in 33 Russian regions in 2017 (with 29 out of 33 having implemented LISP-type practices). The total budget of the Russian PB projects in 2017 was the equivalent of about USD 75 million, as compared to USD 40 million in 2015. Total cofinancing from sources other than regional budgets, such as municipal budgets, citizens, and businesses, exceeded the equivalent of USD 25 million in 2017. This amount included USD 13.5 million from municipal budgets (53 percent), USD 5.8 million from citizens (22 percent), and USD 3.5 million from business community (13 percent).

**Figure 1. Map of Regions Participating in “Strengthening Participatory Budgeting in the Russia Federation in 2016–20”**



Source: World Bank.

While continuing to support the launch of LISP-type activities in more regions, the World Bank work expanded towards new participatory models. In 2018, with the support of the World Bank, the Sakhalin Oblast introduced two new PB models: Youth Budget, a PB program for school students; and Public Territorial Development (PORT), a PB practice aimed at the participatory identification of larger infrastructure projects. Both programs are based on the best practices of LISP, and on international experience. The World Bank is also working on strengthening the focus of PB practices to engage vulnerable and disadvantaged populations in the regional PB programs.

### III. LISP design

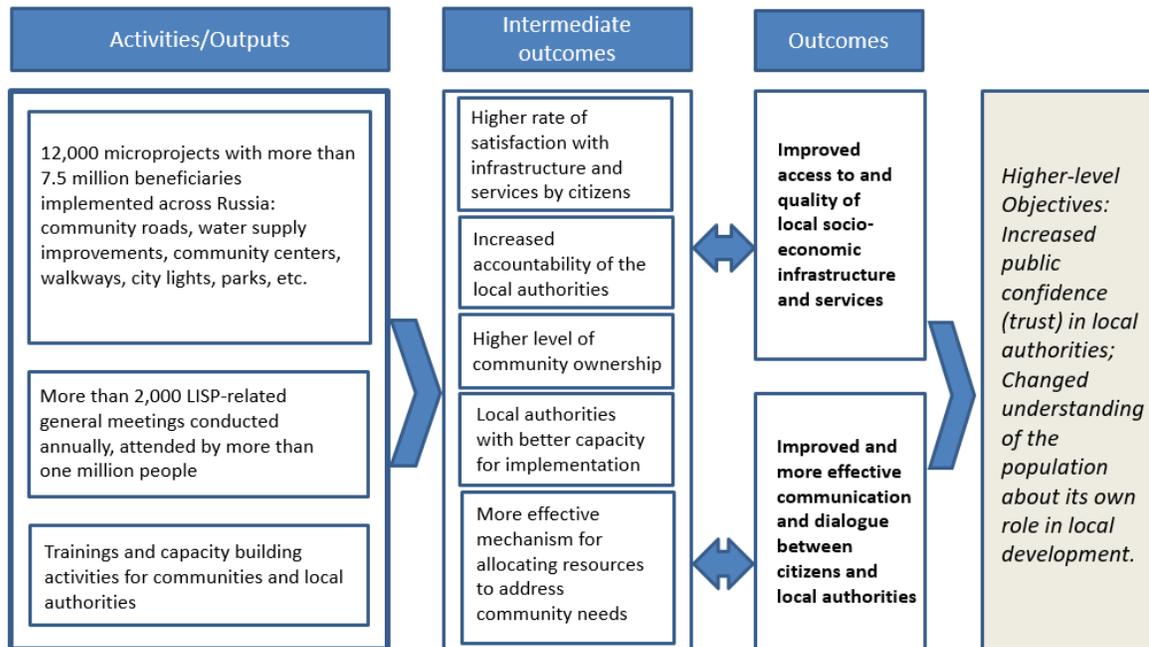
#### LISP Objectives and Beneficiaries

The LISP approach and implementation mechanism were developed in response to the regional and local demand for a participatory framework for identifying and implementing local priority microprojects. Due to the tailored design offered to each participating region, the formulations of the LISP objectives differ slightly from region to region and do not have a universally applicable definition. Overall, however, LISP has two overarching objectives that, in varying degrees, are observed in all cases and tie in to the various LISP activities:

- 1) To improve access and quality of local socioeconomic infrastructure and services, and
- 2) To improve the communication and dialogue between citizens and local authorities.

**Figure 2. LISP Theory of Change**

**Russia LISP Objectives:** To improve access and quality of local socioeconomic infrastructure and services, and the communication and dialogue between citizens and local authorities.



The beneficiaries of LISP-based regional programs are predominantly rural communities that are vulnerable and poor and have the lowest levels of access to financing for their initiatives. These communities usually have little influence on local or regional-level decision-making.

Figure 2 illustrates the implicit results chain, explaining the links between LISP’s interventions, outputs, intermediate results, and desired outcomes. The derived objectives are visible at the level of the desired outcomes. On the right-hand side, the results chain also highlights longer-term outcomes to which LISP is expected to contribute.

### **LISP Principles**

The LISP methodology employs the following key elements:

**1. Direct and broad participation of citizens.** At community meetings, the residents directly participate in identification and prioritization of LISP projects. This differs from some other formats of PB in which the selection is made by a budgetary committee or by a meeting of community delegates. The direct involvement of local residents in LISP preparation and, later, in implementation and oversight guarantees high awareness among the population of its goals, objectives, and mechanisms. This process catalyzes a rethinking of citizens’ role in local development and bolsters confidence in the existing mechanisms of local self-governance, which in turn in a positive perception of the program results among the population.

**2. Competition among the municipalities for LISP resources.** At the project approval stage that follows the voting procedure the regional level selection committee uses a set of formal criteria to rank the projects identified and approved by vote of the population in municipalities. These selection criteria aim to assess the actual demand for the projects and the degree of their support by the community (*Box 2*). It is important to note that while the competition between municipalities for LISP resources is quite strong, the majority (60 to 80 percent) of the applications submitted by municipalities, are subsequently approved to receive financing from the regional budgets.

**3. Cofinancing of microprojects by local communities.** LISP microprojects are expected to receive cofinancing from the community population and, optionally, from local businesses. The regional-level selection committee uses the level of community cofinancing as one of the selection criteria at the project approval stage. The main purpose of the cofinancing is not to raise additional resources but rather to improve prioritization and create ownership and the

right incentives for the participants (Belenchuk, Vagin, and Shulga, 2017). First, cofinancing helps to prioritize actual needs and supports those communities that are ready to contribute to solving their own problems. Second, cofinancing strengthens community ownership of the microprojects. In particular, at the implementation stage local communities take an active part in monitoring the quality and timeliness of the work done by contractors. The sense of ownership of the project by the benefitting community assures sustainability of the results after completion of the project works, including maintenance of the created infrastructure. The average level of LISP cofinancing by local communities is quite high – approximately 40 percent (an amount comprised of 21 percent from settlement budget, 11 percent from the population, and 8 percent from local businesses). For example, literature analyzing community-driven approaches (Susan Wong and Scott Guggenheim, 2018.) notes 25% cost-savings (comprised of community contributions plus procurement and other savings) as high, and the usual rates of financial contributions from the beneficiary population is rarely above 10%.

### **Design of Regional Programs Based on LISP-type Methodology**

The LISP preparation and implementation stages have a clear process and sequence described in the regional operational manuals.<sup>9</sup> At the preparatory stage, every participating region develops the details of its own regional program design and passes enabling regional regulations. The program idea and the approved parameters, principles, mechanisms, and schedule are announced to the municipal officials and experts who would be responsible for LISP implementation at the municipal level. Experts and advisers of regional project teams in charge of LISP then deliver trainings and seminars for municipal staff. Following the training, the heads of municipal entities launch the awareness campaign to announce the program in the settlements and to organize discussions with local communities on their priority projects.

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<sup>9</sup> For more detail about the LISP mechanisms and procedures as well as about the objectives of executive authorities, local self-governing bodies, and consultants, see Khachatryan et al. 2016; Dias ed. 2018; Shulga and Sukhova 2016a;.

This stage often involves taking opinion polls in the form of questionnaires or organizing preliminary meetings in neighborhoods or with the staff of large local businesses.

At the general community/public meetings in participating municipalities (mainly small and medium-sized), direct voting by the meeting participants is used to identify and prioritize the microprojects, aimed at solving high-priority local problems. Such microprojects could include road repairs, rehabilitation or construction of water supply facilities, refurbishing community centers, landscaping and territorial improvement, as well as other matters within the competence of local authorities. Then the municipality, together with a group of civic activists (elected at the general community meetings), develops the microproject proposal to

### **Box 2. Microproject Selection Criteria**

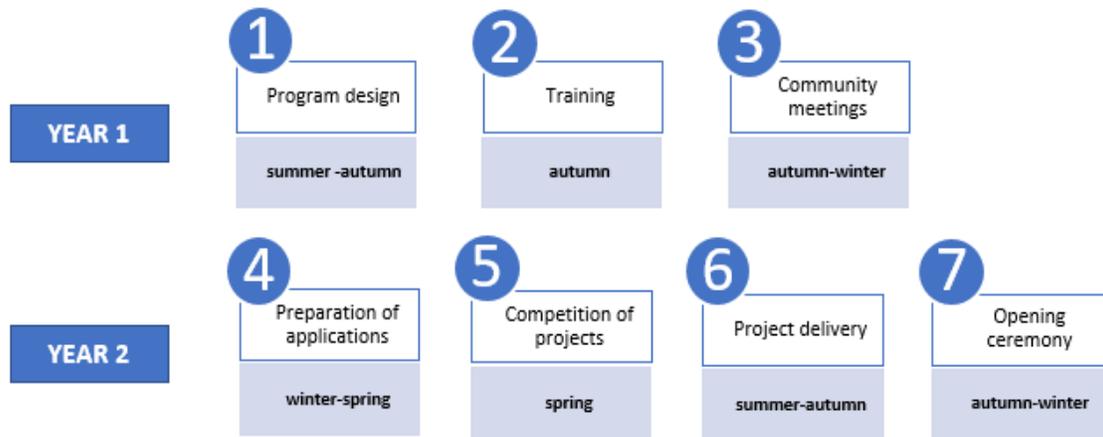
Project applications are ranked using assessment and selection criteria, which mark the extent to which a project complies with basic LISP principles as well as the level of support for the project by the community. The following are some of the main criteria used to rank proposed microprojects (the percentage in brackets provides the usual weight assigned to the specific criteria in the overall score):

- **Population participation in project identification (35–40 percent):** looks at the share of population that participated in public discussions
- **Contribution of local stakeholders (35–40 percent):** accounts for the contributions by population, municipal budget, private business, and other sponsors in project cofinancing (in both cash and in-kind contributions);
- **Socioeconomic effects (10–15 percent):** estimates the share of beneficiaries as percentage of the local population, along with newly created or preserved jobs, environmental impact, availability of mechanisms, and means for effective upkeep and operation of the project;
- **Openness and transparency of decisions made within a project (5–10 percent):** assesses various factors, including media use for informing the population.

The assessment criteria are transformed into numeric values, enabling simple calculation algorithms to calculate the final score for each proposed microproject.

submit to the regional-level competition. The final approval of winning proposals is based on formal criteria that allow the municipality to assess the level of demand for each microproject (Box 2).

**Figure 3. LISP Cycle**



Based on the competition results, the approved project proposals receive financing from the regional budget and actual implementation starts in municipalities. At all stages of LISP implementation, program participants receive technical support from the regional project team, including awareness raising and consultations. The entire cycle of LISP implementation—from the conducting of community meetings to the hand-over of completed work—typically does not exceed one year (see Figure 3).

## IV. Data Sources and Methodology

The findings presented in the paper are based on three main sources of data: the data on microprojects carried out through LISP which was provided by MoF and the regions implementing the program; quantitative survey measuring the effects and outcomes of LISP; and a supplementary qualitative survey of beneficiaries and local authorities.

*Data on microprojects.* This paper examines several types of microprojects and looks at both the number of microprojects and the number of their beneficiaries in order to outline the contributions LISP programs have made to small-scale local infrastructure and services. This data is provided by both MoF and regional monitoring of LISP implementation and provides the basis for quantitative survey sampling, based on the number of projects implemented and their typology.

There is a two-level monitoring system in place. First, Russia MoF collects data on regional PB programs (type of PB practice, amount of money allocated, number of participants etc.) based on the questionnaires filled in by regional ministries responsible for implementing PB. This system was designed under the World Bank-MoF project on strengthening PB in Russia. Second, some LISP-implementing regions has MISs put in place to collect data on participatory process (including number of participants of community meetings and preliminary hearings, types of specific projects discussed and voted, number of beneficiaries, co-financing, etc.) and project implementation status.

*Quantitative survey on outcomes and effects of LISP.* The quantitative survey is the main instrument informing this paper on beneficiaries' perception of LISP effects and outcomes. It was a one-time survey that took place in November-December 2017. The survey was conducted by the Center of Sociological Research of the Russian Presidential Academy of National Economy and Public Administration (also responsible for running the Russian

branch of Eurobarometer<sup>10</sup>, which is a survey conducted by request of European Commission in each EC country since 1974 with the aim to monitor social, economic and political values, attitudes and practices of population).

The survey sampling was done in three steps. As the first step, regions with longer continuous experience of LISP were selected, as these were the places where the social effects of the program were most likely to be visible to the population. The regions were Kirov Oblast (7 years of experience), Nizhny Novgorod Oblast (4 years), Tver Oblast (4 years), and Ulyanovsk Oblast (3 years). The second step included the selection of the settlements. The objective of the comparison was to trace the potential effects of LISP and its participatory design<sup>11</sup>. Two groups of settlements were chosen in the four regions: the treatment group (51 settlements overall that had participated in LISP) and the comparison group (6 settlements overall that never participated in LISP). Settlement selection in the treatment group was randomized.

The sample included only settlements with no more than 5,000 inhabitants, where the effects of LISP on both settlement and population level could be expected to be most pronounced. The third step was the selection of respondents. This selection was randomized, with quotas on gender and age groups that corresponded to regional group means. The number of respondents in the treatment group was 2,010 and in the comparison group – 500. The information was collected through face-to-face interviews with the respondents. Individual sampling results are summarized in *Annex A*. The settlements in the comparison group were matched to the settlements in the treatment group using two criteria: population numbers, and overall budget size (settlement characteristics and matching methodology are described in *Annex A*), to reduce between-

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<sup>10</sup> See details on Eurobarometer in Russia here: <https://www.ranepa.ru/nauka-i-konsalting/strategii-i-doklady/evrobarometr/evrobarometr>

<sup>11</sup> The purpose of the research is to test whether the LISP, by allowing the participatory decision making, helps municipalities identify their binding constraints achieving our outcomes of interest, regardless of how they use the funding. The focus of the survey is single treatment (LISP) rather than each type of investment. There is heterogeneity at the municipal level regarding what that investment looks like.

settlement variation. As a result, the settlements in the two groups are very similar to each other by size of the population and by size of settlement budget, which suggests they had equal opportunities in the provision of public goods at the time of the study. While the chosen settlements without LISP may have been implementing other regional or national program targeting basic infrastructure, the same was also true for the settlements with LISP, which makes the comparison scientifically robust.

The quantitative survey data is used to determine levels of public confidence, satisfaction with the quality of public infrastructure, evaluations of both accountability and approachability of the local government and other variables on the individual level (*see Annex A, Table A-6 for details on sample statistics*).

*Supplementary qualitative survey of the beneficiaries and local authorities.* The supplementary qualitative survey was a one-time survey that took place between December 2016 and May 2017 and was conducted by regional teams of sociologists under the supervision of the authors. The survey was conducted in 4 regions with the longest continuous experience in LISP: Stavropol Krai, Kirov Oblast, Tver Oblast, and the Republic of Bashkortostan. The qualitative data summarizes 37 semi-structured interviews with local authorities (heads of the settlements and municipal districts) and 12 focus groups with the citizens. The sample of the interviews included four different municipal districts in each region, relatively equally experienced in LISP (with participation span of 1-2 years) and 2-3 settlements in each municipal district. For each municipal district, 3-4 semi-structured interviews were taken (one with the head of municipal district and 2-3 with the heads of the settlements in each municipal district). The sample for focus groups included citizens from four municipal district per region.

The qualitative survey provides information on the beneficiaries' opinions on LISP-related improvements, which supplements the overall picture of the LISP effects. To describe individual evaluations of LISP's contributions to public confidence and effective communication, both historical data and individual reflections are available from local

beneficiary interviews and focus groups. For the purposes of the analysis, this paper also looks at beneficiaries' opinions of local authorities, and beneficiaries' perceptions of improvements in the local quality of life.

### **Limitations of the Research**

The research applies to small rural settlements (with fewer than 5,000 inhabitants) and does not cover larger settlements or urban areas. Its results are based on a one-time survey that is not nationally representative, which limits the strength of the direct causal inferences. Thus, it is important to note that the survey is *not* an impact evaluation study of LISP, but rather a perceptions survey. This survey allows us to make some comparisons of outcomes between the treatment and comparison groups, and to estimate LISP's likely contribution to these outcomes.

The survey methodology also considered possible problems related to self-selection bias, since in theory settlements with higher preexisting levels of public confidence might be more likely to participate in LISP than those with lower levels of public confidence. However, the analysis demonstrated that such bias was unlikely, and that, on the contrary, low levels of public confidence seemed to trigger a higher probability of participation (see *Annex A, Section "Self-selection analysis"*).

## V. LISP Results

### A. Improving Local Infrastructure and Services

LISP is regarded by both residents and local authorities as a contributor to improving access to and the quality of the local socioeconomic infrastructure and services in participating settlements. In order to provide a picture of the processes and achievements in this area, the paper will look at the program's outputs and the opinion of beneficiaries concerning these improvements, as well as at participation rates and coverage.

#### Volume of the Provided Support

As explained in *Section 2*, the number of regions implementing LISP and other PB practices and the number of microprojects have increased gradually since 2007. Starting from 26 projects in one region (Stavropol Krai) in 2007, in 2017 there were already over 4,253 local participatory microprojects being implemented in 33 regions within the framework of 38 participatory practices. In 2017, the overwhelming majority of all implemented microprojects (82 percent) were completed under LISP-type schemes (3,504

*“That road is pure happiness!” – A resident*

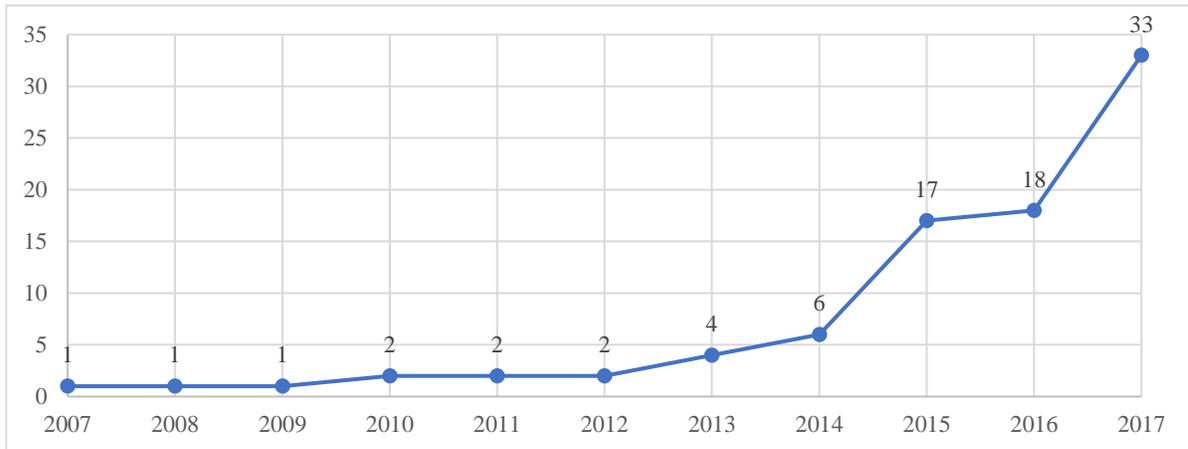
*“Probably, there is nothing else that gives us so much pleasure as this community center. It was freezing there before, and we didn’t want to go there. Floor boards were falling through. The roof leaked. Now the center is open day and night. We are crazy about that place. We all keep running there. It’s warm and beautiful!” –A resident*

*“...We now have a park ...our settlement is the only one in the district having such a park. People are taking walks in the evenings .... Earlier there were no places to go in the village ... now kids go to school and after school they go to the park. They all have roller skates now, many kids skate in the park, and it’s so pleasant to see how they spend their time. It’s something we haven’t had before – I mean roller skating, it’s kind of in fashion now among kids ...” A resident*

*Note: The source for this and all other “Voices of the People” boxes is the qualitative survey conducted in 2017 in four regions of Russia.*

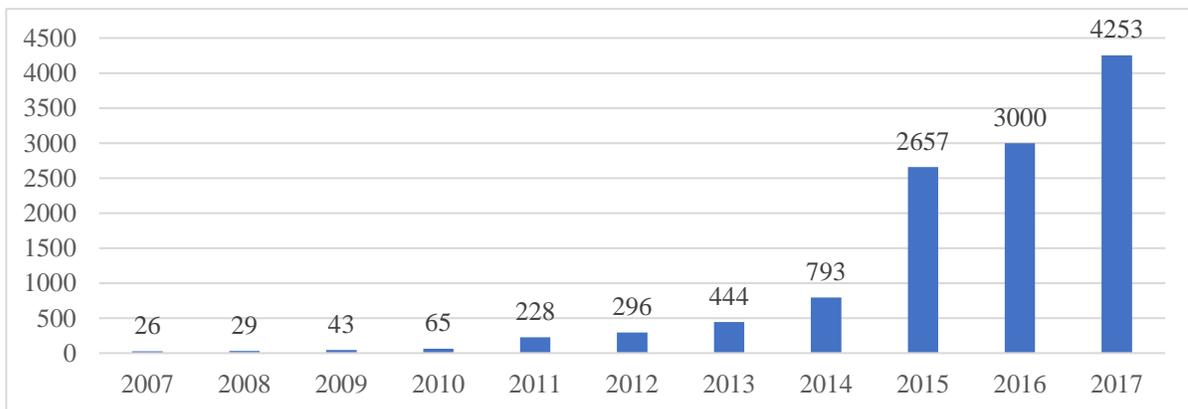
out of 4,253 projects). A total of 33 PB programs (which represents 76 percent of all existing PB initiatives) are LISP programs that have been launched and successfully implemented in 29 Russian regions (see *Figures 4 and 5*).

**Figure 4. Number of Russian Regions Implementing PB, 2007–17**



Source: For 2007–14, World Bank data on 8 LISP regions; for 2015–17, data from the Ministry of Finance of the Russian Federation, official annual survey from PB implementation regions (including World Bank LISP regions).

**Figure 5. Number of Implemented PB Projects, 2007–17**



Source: For 2007 – 14, World Bank data on 8 LISP regions; for 2015 and 2017, data from the Ministry of Finance of Russian Federation, official annual survey from PB implementation regions (including World Bank LISP regions); for 2016, World Bank estimates.

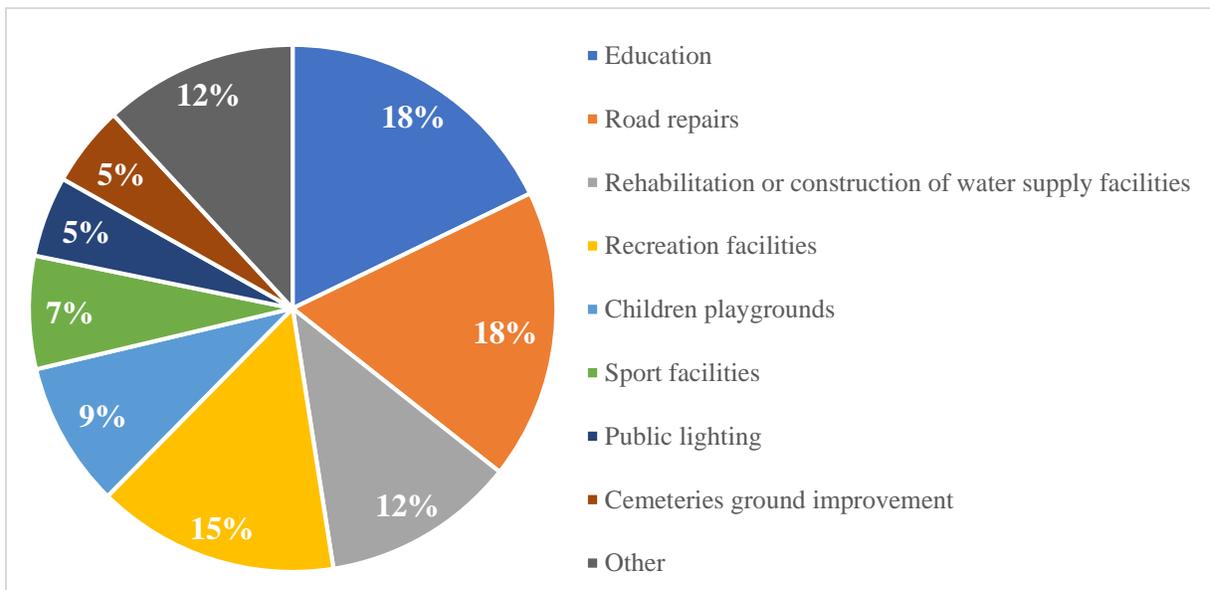
### Beneficiaries and Microprojects

From the beginning of the LISP program in Russia until 2017, about 12,000 microprojects with more than 7.5 million beneficiaries were implemented. Kirov Oblast is the leader among

regions in terms of the annual number of beneficiaries. In 2017, 820,000 of its citizens benefitted from LISP-related activities, which represents 65 percent of the total population living in Kirov Oblast.<sup>12</sup>

The typology of microprojects delivered within the LISP scheme shows that LISP can deliver a variety of types of social infrastructure needed by the local population, thus increasing the availability of infrastructure and services for local communities. Small-roads microprojects made up the largest number, followed by education, water supply facilities, and community recreation areas (see Figure 6).

**Figure 6. Typology of LISP Projects in 29 Regions of Russia, 2017 (percent of the total number of projects)**



Source: Data from the Ministry of Finance of Russian Federation, official annual survey from PB implementation regions (including World Bank LISP regions).

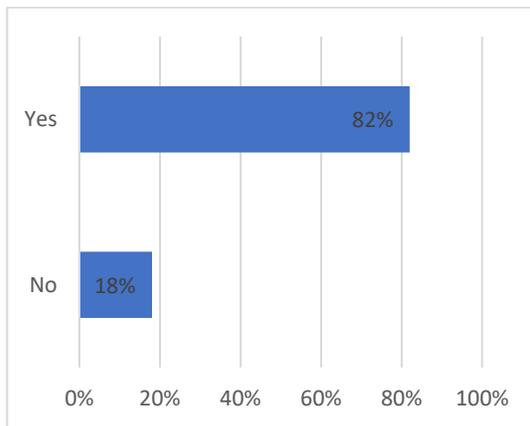
In the course of several years, the projects delivered as part of LISP have been able to transform the public environment in participating settlements, improving the availability of quality social infrastructure in municipal entities and in the entire region. For example, 875 rural roads and 520 water supply facilities were repaired from 2010 to 2018 in Kirov Oblast

<sup>12</sup> Based on data from the Ministry of Finance of the Russian Federation, official annual survey.

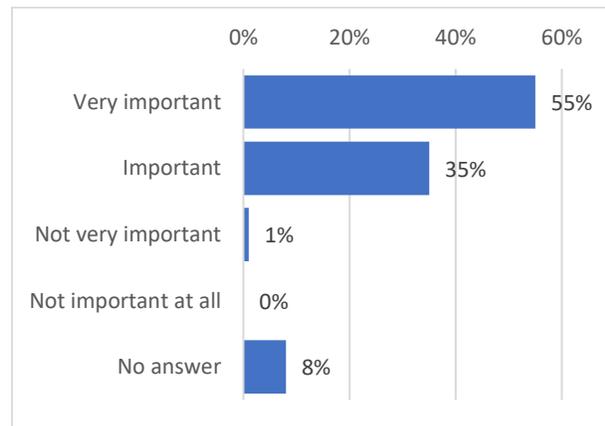
alone. As of 2017, more than 200 community centers were renovated in Tver Oblast and Stavropol Krai. Because LISP targets the most acute issues faced by settlements, it is highly appreciated by the local population, an overwhelming majority of whom believe that LISP microprojects are very important and useful exactly because of their direct practical benefits (see *Figure 7* for a breakdown of local opinion from Kirov Oblast).

**Figure 7. Public Opinion about LISP Results in 2013 by Residents of Kirov Oblast**

Question: “Do you use the results of the project (works) completed?” (percent of respondents)



Question: “How important is the problem addressed by LISP?” (percent of respondents)

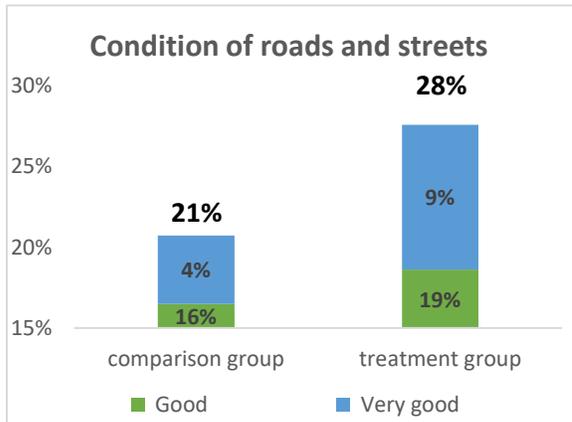


Source: Sociological survey in the Kirov Oblast regarding LISP in 2013.

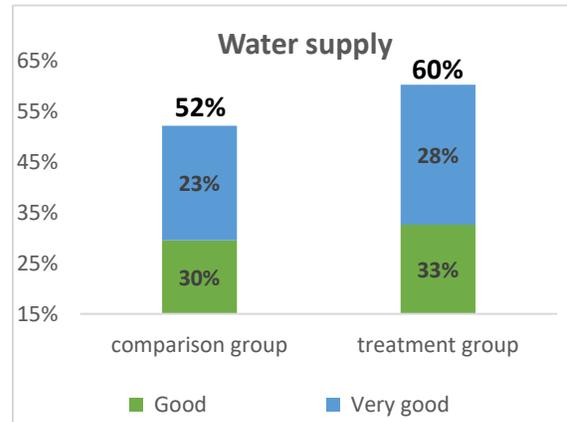
**Beneficiary satisfaction with local infrastructure and services.** Citizens in communities that participate in LISP-type programs are more satisfied with local socioeconomic infrastructure and services than citizens in nonparticipating communities.

In the conducted study, 60 percent of the respondents from the treatment group reported experiencing improvement in the water supply facilities, against 52 percent of respondents from the comparison group. Similarly, 28 percent reported improvement in the roads (versus 21 percent from the comparison group); 45 percent noted improvement in community centers (versus 20 percent from the comparison group); and 44 percent noted improvement in sports facilities (versus 21 percent from the comparison group) (*Figure 8*).

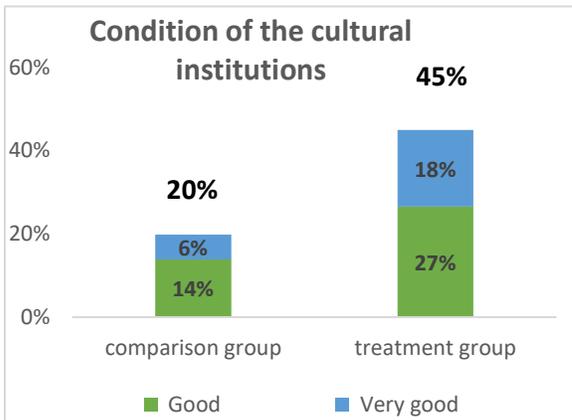
**Figure 8. Treatment and comparison group responses to the question, “As of today, how do you estimate ... the following aspects in your settlement”? (“Good” and “Very good” responses)**



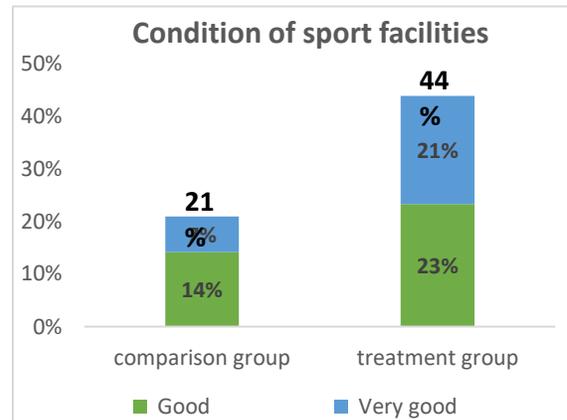
Note: Chi-squared value: 14.678 with p-value = 0.005; Mann-Whitney U value: 463180 with p-value = 0.018



Note: Chi-squared value: 20.914 with p-value = 0.000; Mann-Whitney U value: 446500 with p-value = 0.017



Note: Chi-squared value: 133.38 with p-value = 0.000; Mann-Whitney U value: 261730 with p-value = 0.000



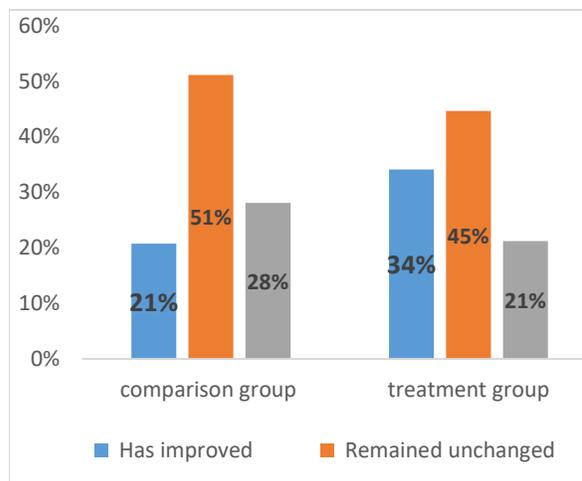
Note: Chi-squared value: 84.082 with p-value = 0.000; Mann-Whitney U value: 217130 with p-value = 0.000

Source: World Bank, based on Sociological survey in Russian Regions to measure social effects of Participatory Budgeting, 2017.

These positive effects can be associated with LISP with some level of confidence, if properly combined with the types of project implemented in the settlements that participated in LISP. (The supplemental analysis is presented in *Annex B, Section 3. ‘Linkages to Beneficiary Satisfaction with Local Infrastructure and Services.’*).

In summary, we see that when the number of LISP projects implemented in a settlement increases, the satisfaction levels of local people with certain types of public infrastructure (roads, cultural institutions, and sport facilities) also increases. This indicates that the results of these projects are likely more visible to the inhabitants of the settlements than other types of local infrastructure (for example, water supply and communal services).

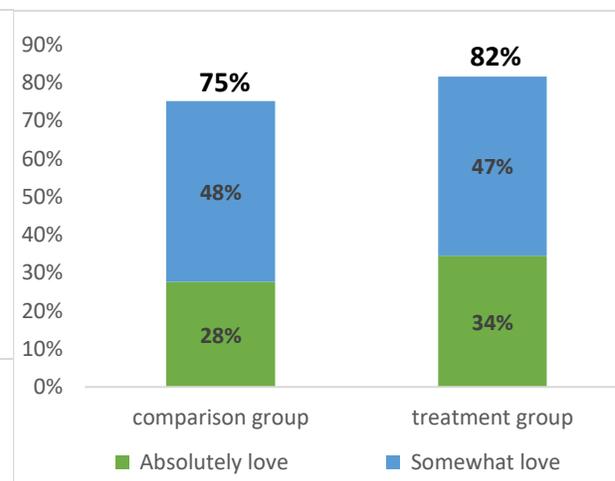
**Figure 9. “Do you think the quality of life in your settlement during the recent 3 years has improved, has deteriorated, or remained unchanged?” (percent of respondents)**



Note (for “has improved”): Chi-squared value: 34.005 with p-value = 0.000; Mann-Whitney U value: 550920 with p-value = 0.000.

Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory Budgeting, 2017.

**Figure 10. “To what extent do you like to live in your village?” (percent of respondents)**

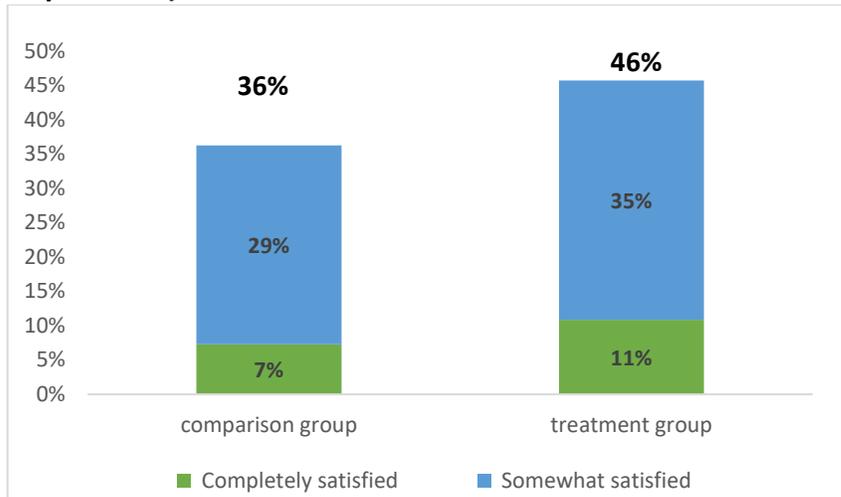


Note: Chi-squared value: 13.942 with p-value = 0.003; Mann-Whitney U value: 442780 with p-value = 0.000.

Moreover, although the survey methodology does not allow for full attribution, there is a visible correlation between the implementation of LISP-type subprojects and the positive opinion of the respondents from the treatment group concerning quality-of-life matters. For example, in LISP-participating locations, more citizens report that the quality of life in their settlements has improved (Figure 9) and that on the whole they like living in their villages

better (Figure 10). The rate of satisfaction with municipal services is also noticeably higher in participating settlements (Figure 11).

**Figure 11. “Are you satisfied with the way the issues of territorial improvement, and housing and communal services are being solved in your settlement?” (percent of respondents)**



Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory Budgeting, 2017.

Note: Chi-squared value: 34.005 with p-value = 0.000; Mann-Whitney U value: 550920 with p-value = 0.000.

The settlements and citizens, therefore, assess positively the approach used by LISP, seeing it as directly improving the quality of local infrastructure, and of the quality of living in their settlements.

## B. Improving Communications and Dialogue

The second important LISP contribution perceived by beneficiaries and local authorities is the *improved communication and dialogue between citizens and local authorities*. Local authorities often consider this to be the most important objective of the program.

### **A Platform for Community Participation**

The LISP approach provides a platform for community participation and buy-in. Every year local communities hold thousands of LISP-related general meetings, which are attended by more than a million people in total. Even more citizens are involved in preliminary events to discuss projects. These include public opinion polls, street and neighborhood meetings, and other meetings in small groups that involve up to 70 percent of the adult population of participating settlements.

This direct participation of residents in determining priority problems is the key element of the program and may change people's attitude towards their own role in territorial development and also likely influences their confidence in local self-governance. The population is involved in LISP projects not only at the stage of prioritization and selection, but also project delivery. For example, citizens provide voluntary unskilled labor for demolition, clean certain areas of construction waste, paint fences, or provide resources free of charge (such as electricity, building materials, and machinery). Each of the participating

#### *VOICES OF THE PEOPLE*

*"This is a mechanism of communication enabling us to talk to people and receive feedback." -- Local official*

*"People are not so resentful about the existing situation. People realize that they are consulted with." -- Resident*

*"...residents begin to be concerned, thinking that if we have done something, if we have contributed our own money, if we have given assistance to have something done, then we are to look after what has been produced." -- Local official*

municipalities also creates groups of local volunteers who are part of project preparation, implementation, and monitoring.

Broad citizen involvement in these activities makes LISP well-known among the population. In the Kirov Oblast, LISP was familiar to 50 percent of the interviewed population, who could explain what LISP is about, while only 20 percent were informed about the second most well-known regional program (*Table 1*). In Tver Oblast, total awareness of LISP is somewhat lower than in Kirov Oblast due to the shorter duration of the program there – with one third (34 percent) of the population knowing about it. Still again, this is significantly higher than other currently or previously operating programs in this region, for which the public has levels of awareness of no more than 14 percent.

**Table 1. Level of population awareness of LISP and other regional programs (percent)**

<b>Kirov Oblast</b>	Total	Comparison group	Treatment group	<b>Tver Oblast</b>	Total	Comparison group	Treatment group
“Ensuring the safety and livelihoods of the population of the Kirov Oblast”	18	23	17	"Youth of the Upper Volga" for 2013-2018	14	10	15
<b>“Local Initiatives Support Program (LISP)”</b>	<b>50</b>	<b>32</b>	<b>53</b>	<b>“Local Initiatives Support Program (LISP)”</b>	<b>34</b>	<b>20</b>	<b>37</b>
“Development of the transport system for 2013-2020”	20	21	20	“Supporting program for employees engaged in the traditional sector of economics”	6	3	6
“Supporting program for employees engaged in the traditional sector of economics”	10	8	10	"Forestry of the region" for 2017 – 2022	12	6	13
I have heard about none of the above-mentioned programs	39	53	37	I have heard about none of the above-mentioned programs	59	71	57

Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory budgeting, 2017.

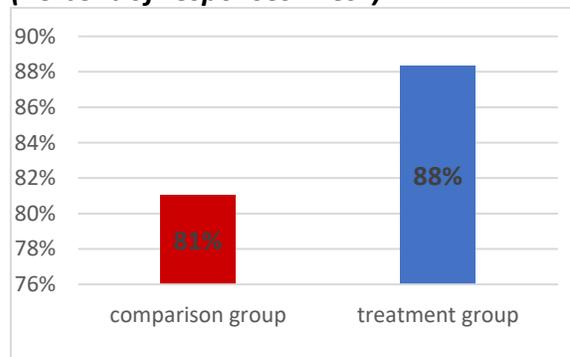
## LISP/PB Practices That Improve Formal Interaction

In the LISP-participating areas, the population participates more frequently in meetings and community consultations where issues and local problems are discussed with the local officials (*Figure 12*), and their residents have more access to meet and directly discuss issues with a representative of the settlement administration, if necessary (*Figure 13*).

### Dialogue That Leads to Practical Action

In LISP-participating locations, the administration more frequently includes the population's opinion in decisions on how to solve local problems and on prioritizing the timing for various interventions compared to the administrations in nonparticipating locations (*Figure 14*). Survey respondents also feel community meetings are an effective platform for solving issues (*Figure 15*).

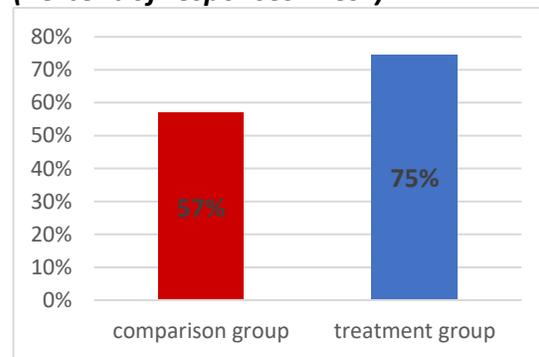
**Figure 12. "Does the administration of your settlement hold community meetings with residents to discuss the local issues?" (Percent of responses "Yes")**



Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory budgeting, 2017.

Note: Chi-squared value: 15.722 with p-value = 0.000; Mann-Whitney U value: 371670 with p-value = 0.000.

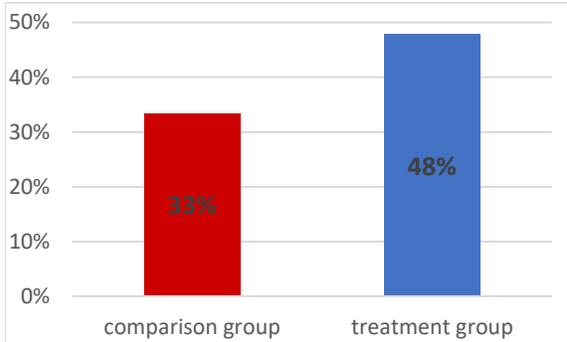
**Figure 13. "Is it true that it is possible to meet with the representatives of the settlement administration, if needed?" (Percent of responses "Yes")**



Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory budgeting, 2017.

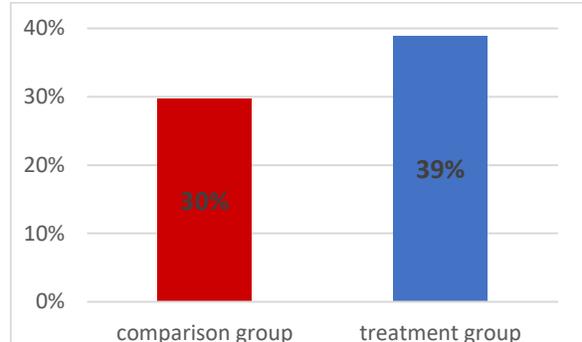
Note: Chi-squared value: 60.249 with p-value = 0.000; Mann-Whitney U value: 413420 with p-value = 0.000.

**Figure 14. “Does the administration of your settlement take into account the opinion of the residents in solving local problems?” (Percent of responses “Yes”)**



Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory budgeting, 2017.  
 Note: Chi-squared value: 34.19 with p-value = 0.000; Mann-Whitney U value: 428830 with p-value = 0.000.

**Figure 15. “To what extent do community meetings in your settlement allow you to solve the issues being raised?” (“Allow” responses, in percent of respondents)**



Source: World Bank, based on a sociological survey in the Russian regions to measure the social effects of participatory budgeting, 2017.  
 Note: Chi-squared value: 23.801 with p-value = 0.000; Mann-Whitney U value: 357540 with p-value = 0.000.

### C. Contributing to Public Confidence

The survey work suggests that the increased satisfaction of the population with local infrastructure and services and the broadened dialogue may change the mindsets of the people and generate proactivity and commitment. These are likely contributors to a broader objective, which is beyond LISP: to increase confidence between citizens and authorities and to strengthen public confidence in the potential for positive change.

Although the goal of the LISP methodology is not the improvement of local governance *per se*, LISP-based programs provide an opportunity for public participation in the decision-making process, making it more transparent to people. By giving people the right to decide what are the most important needs of their settlement, the LISP programs may also contribute to improved local governance. This possible effect is observed in the survey results: if citizens are involved continuously, their

#### VOICES OF THE PEOPLE

*“The program is uniting people.” -- Resident*

*“The village is reviving! Life is boring here, and now we have such a project!” -- Resident*

*“There is more trust in government and now people are not as bitter as they were about the existing situation when there is no money.” -- Resident*

*“When a person, well, residents see that someone is doing his/her best, that we participate in programs, win in competitions – the attitude certainly changes greatly.” --*

*Local official*

*“Results are delivered, and every year people have better understanding and receive us better. They find out themselves what events are held and when, that is, the general attitude of the population has changed.” --*

*Local official*

*“People begin to be concerned, thinking that if we have done something, if we have contributed our own money, if we have given assistance to have something done, then we are to look after what has been produced...” —Resident*

evaluations, in the form of public confidence and satisfaction, become more positive over time.

### **Increased Public Confidence in Local Authorities**

The survey data shows correlation between c implementation of LISP and changes in public confidence indicators at the settlement level. As shown earlier, the most vivid change is the respondents' perception of improved quality of the provision of public goods (*see Figure 8*). However, the effects of LISP spread beyond the purely institutional framework and its infrastructural dimension.

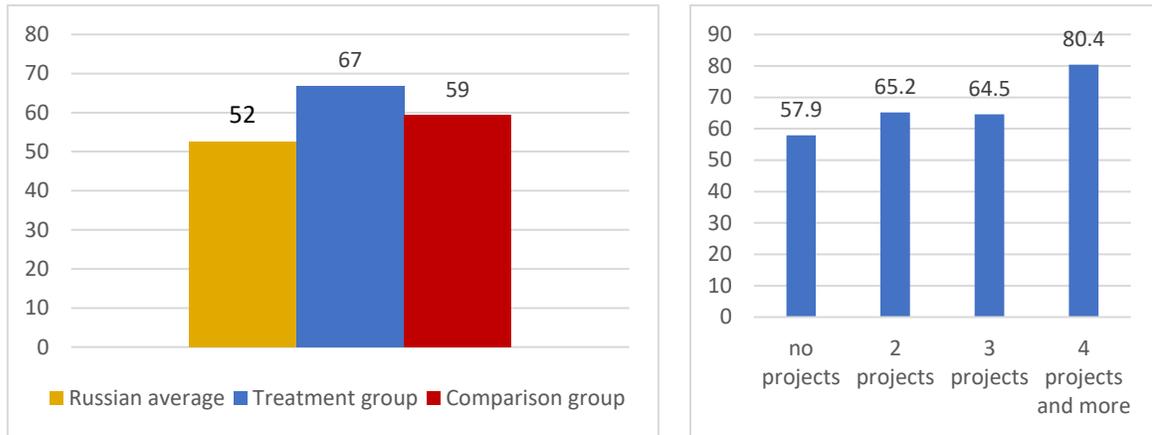
The survey reported that LISP-type programs implemented for a long period (two or more years) affect the views and attitudes of the citizens toward local governance. For example, the survey results show that those heads of settlements who ensure that residents are engaged in discussions and resolution of local issues under the LISP-type programs enjoy greater citizen confidence, with an average score of 67% confidence level for the LISP participating communities (*see Figure 16, graph on the left*). These differences are striking if they are compared to the Russian average score of 52%<sup>13</sup> public confidence in rural settlements' authorities (using the same scale, which was provided by the Eurobarometer survey in spring 2017).

The level of public confidence in local governance is positively associated with the duration of exposure to LISP. The results suggest that each implemented LISP project gradually leads to higher levels of public confidence in the head of a settlement. The level of confidence in public authorities in settlements that implemented four or more projects is above 80%, compared to 64-65% confidence levels in the localities that had 2-3 projects, and only 58% for those that had zero or one project (*Figure 16, graph on the right*).

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<sup>13</sup> Authors' calculations based on the data of Russia Eurobarometer flash Survey conducted in 2017, overall sample consists of 6088 respondents. However, the sample of rural inhabitants was used for the comparison (1391 respondent).

**Figure 16. Percent of citizens reporting “absolute” or “some” public confidence in the head of their settlement**



Source: World Bank, based on sociological survey in Russian regions to measure social effects of participatory budgeting, 2017; for Russian averages, Eurobarometer omnibus survey, 2017.

Note: Lefthand graph: For binary public confidence in survey data chi-squared value: 8.3799 with p-value = 0.004; Mann-Whitney U value: 365560 with p-value = 0.003. Righthand graph: Chi-squared value: 14.409 with p-value = 0.001; Kruskal-Wallis chi-squared value: 14.403 with p-value = 0.001.

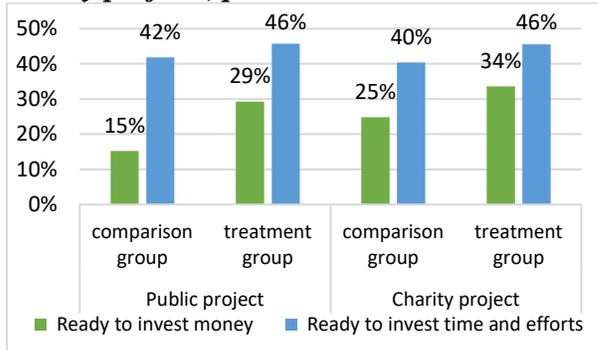
Since in most participating regions (and in all of the surveyed regions) each participating settlement is allowed to submit to the regional LISP competition one microproject proposal annually, the number of implemented microprojects for a given settlement is directly linked to the number of years that a settlement has participated in LISP. Although there may be other factors at play, the increase in the number of LISP cycles (and microprojects) in which a settlement participated is still strongly correlated with a higher level of public confidence in the local government.

### **Accountability and Responsibility**

As an element of improved public confidence, LISP communities demonstrate a stronger commitment to common goals and to efficiency improvements. For example, in the LISP communities, 29 percent of respondents declared that they would invest personal money in a public project that would not directly benefit them, as opposed to only 15 percent of respondents in non-LISP communities giving a similar response (*see Figure 17*). When the question was changed to refer to efforts and time, rather than money, 46 percent of

respondents in LISP communities declared they were ready to invest, compared to 42 percent of respondents in non-LISPS communities.

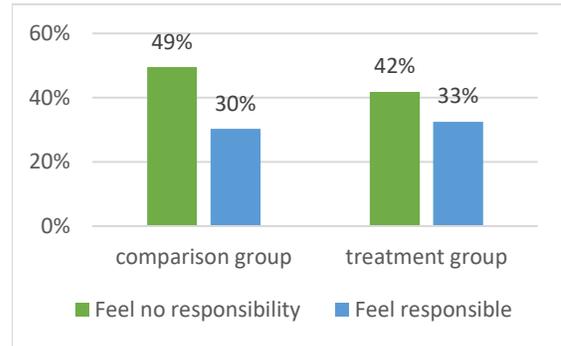
**Figure 17. Readiness to invest personal money, time and efforts to the public and charity projects, percent<sup>14</sup>**



Source: World Bank, based on sociological survey in Russian regions to measure social effects of participatory budgeting, 2017

Note: Public project, money: chi-squared value: 39.681 with p-value = 0.000; Mann-Whitney U value: 432130 with p-value = 0.000. Public project, labor: chi-squared value: 2.3323 with p-value = 0.1267; Mann-Whitney U value: 482800 with p-value = 0.115. Charity project, money: chi-squared value: 13.979 with p-value = 0.000; Mann-Whitney U value: 458120 with p-value = 0.000. Charity project, labor: chi-squared value: 4.1292 with p-value = 0.042; Mann-Whitney U value: 476510 with p-value = 0.037.

**Figure 18. How much responsibility do you feel for what is happening in your settlement**



Source: World Bank, based on sociological survey in Russian regions to measure social effects of participatory budgeting, 2017

Note: Chi-squared value: 3.8094 with p-value = 0.051; Mann-Whitney U value: 255250 with p-value = 0.045.

LISP communities also display higher willingness to contribute to charity, with 80 percent of the respondents declaring readiness to contribute, versus 65 percent in non-LISP communities. People in LISP communities also feel higher direct responsibility for solving the problems in their own town or village. In non-participating communities a whole 49 percent of the people felt no responsibility whatsoever about the settlement developments, and 30

<sup>14</sup> Questions 24 and 25 in the questionnaire read as follows: “Are you ready to invest personal finance, time and efforts into a charity project (helping orphans, the elderly, people with diseases), which will not bring you benefit, but will be helpful to society, that is mainly to *people* you are not familiar with?”; and “Are you ready to invest personal finance, time and efforts into a social project (outdoors improvement, road construction, organization of social and cultural events), which will not bring you benefit, but will be helpful to society, that is mainly to *people* you are not familiar with?”

percent felt some responsibility. In LISP communities, respondents who stated that they were indifferent made up only 42 percent, and a higher 33 percent felt responsible (*Figure 18*).

### **Government Perceptions of the Population**

Although the study focused more on the public confidence of the population in authorities, and the attitudes of authorities toward the population were less of a focus, the information collected revealed interesting positive tendencies in both directions. The increased commitment of the citizens towards local matters and priorities seems to also increase the positive attitudes of the local authorities towards their own constituency. As explained in *Section 5B (see Figures 12, 13, 14 and 15)*, the increase in citizens' engagement likely correlates to a change in the perceptions of local officials, who also show more respect for citizens' demands and begin to rely more on their constituency for support in choosing and implementing local projects. This is confirmed by the supplementary qualitative research, where heads of settlements clearly stated their appreciation and trust in the participation of the citizens in selection and monitoring of microprojects.

## VI. Lessons on Sustainability and Institution Building

### A. Sustainability of Process

**Initiative budgeting has become a policy priority at national (federal) level.** As a result of active work and gained positive experience, the development of IB was defined as one of the priorities in the document *Main Directions for Action of the Government of the Russian Federation till 2024* (published September 29, 2018). The document sets a target: that by the year 2024, 50 percent of the regions would develop and approve regional development strategies for initiative budgeting. Another important national document – the *Concept Paper on Increasing Efficiency of Budget Expenditures for the Period 2019-2024* (approved by the Government of the Russian Federation on January 31, 2019) also states the need for developing mechanisms for citizen participation (on the basis of IB) as a way to finding solutions for social and economic development, and for the dissemination of regional and municipal IB practices. Changes to the Budget Code and the Law on Local Self-governance are also under preparation, to improve the regulations on co-financing initiatives of the population.

**Managing IB on various levels establishes it as a long-term agenda.** Sustainable multi-level structures are being formed in Russia to manage IB. As a result of the LISP and IB initiatives, the Government established a National Center on Initiative Budgeting. At regional level, more than 20 project support centers were also formed, who provide consulting support to the regional authorities in the development and implementation of regional IB programs.

**A national system for monitoring initiative budgeting is a prerequisite for sustainability.** In Russia, such a system has already been established. All IB processes and practices and legal changes are monitored by the Ministry of Finance of the Russian Federation, which every year prepares a report on the best regional practices of IB. Annually, MoF collects from regions data on parameters and financing for IB-type programs. In 2018, 8 of the 11 best practices detailed in this regular report are based on LISP.

**Embedding IB programs in national systems makes them stable and predictable.** LISP-based programs are fully embedded and are managed within the Russian administrative system. Every region implementing LISP established the needed regional-level regulatory framework, containing the rules for participation, and the criteria for microproject selection. Some regions adopted regional IB laws that set up the minimum annual investment financing amounts for IB projects. At the regional level, the programs are carried out by the competent executive authorities (normally by regional finance ministries), with local self-governing bodies being hands-on implementers. The programs' financing flows in strict compliance with the national Budget Code, within the Russian budget system. The procurement of works and services within LISP programs is also carried out in accordance with the state procurement system. The procedures for program implementation, competitive selection, and distribution of subsidies among municipalities are regulated by every region through regional government resolutions. As a result, all (currently 29) LISP-type regional programs that were developed with or without World Bank support, are fully financed by the regular regional budgets.

**Improved access to infrastructure and improved local dialogue, together with increased confidence among stakeholders, are likely to result in positive and sustainable institutional changes.** Since its inception, LISP has acted as a direct supporter or catalyst for the development of all the institutions (at any level of government) responsible for the financing of community needs through participatory budgeting approaches. Thus, the development of LISP stimulated federal policies to start supporting open budgets and citizen participation, which has led to the dissemination of regional participatory programs across Russia. LISP created a nationwide momentum for the promotion of PB approaches to solving local social problems. Starting with just one small pilot in Stavropol Krai in 2007, today LISP is a methodology used by regional programs operating across Russia. Its expansion is primarily driven by the interest of regions and communities, without any pressure from the national level.

## B. Sustainability of Microprojects

**The established LISP mechanism guarantees follow-up budget and maintenance to the implemented microprojects.** As LISP only deals with infrastructure owned by municipalities, municipalities are responsible by law to finance the maintenance of the created assets. There are specific budget lines in the municipal budgets to finance operational costs and maintenance. In all regional LISP programs, at the time of application, municipalities are requested to formally guarantee the maintenance of the LISP assets and to confirm in the application forms that funds have been secured for operational costs. Regional teams (officials and consultants) conduct physical monitoring of LISP assets to check their sustainability.

**LISP implementation builds and strengthens the local capacity for project implementation.** LISP-based programs build the capacity of participating authorities at all levels. The full integration of LISP-based programs in national systems allows the development of existing national public institutions and municipal administrations, as well as strengthening of the executive branch and the local self-governing bodies to engage in hands-on work. At local level, LISP does not only build public confidence but also helps local government institutions develop the technical rapport, experience, and capacity to enter into a productive relationship with the local population. The groups of volunteers in each municipality are also valuable community assets. Passing through several LISP implementation cycles, they become well equipped for the delivery of any other project based on local initiatives. In addition, all participating stakeholders – including the project implementation group, as well as the municipal staff and the citizens' initiative groups – receive training, regular consulting support, and technical assistance. This support is provided by experts from the higher levels of government, or by contracted specialists in the specialized units.

## C. Conclusion

**LISP-type programs have the potential to thrive and survive through political changes.** LISP has already built significant experience through a critical mass of regions implementing the

program over many years. The program has already lived through changes of regional governments and has proven its sustainability through political changes. For example, Stavropol krai implements LISP from 2007 with the Bank, and from 2012 without the Bank, and while four regional governors changed during the period, LISP is still a priority project in the region. The year 2017 was officially announced in the region as “a year of LISP”.

**The LISP mechanism provides leverage for the institutions of local governance and creates productive relationships between those institutions and the local population.** On one hand, local government institutions are the point of contact for the population’s needs and complaints. It is part of their prerogatives to find solutions to the population’s concrete problems at the level of the settlement, or even at the level of a specific neighborhood. On the other hand, under the regular system of financing, local authorities have little leverage over the flows of funds and the purposes the funds are used for. The national subsidies are channeled downstream with specific earmarked purposes attached to them, most often addressing infrastructure needs of national and regional importance. With a LISP program in place, local authorities finally have a mechanism to provide funding for those specific needs of the population for which the population holds them accountable.

**Relatively small overall volume of financing is able to influence and solve local socioeconomic problems.** LISP allows for the prioritization and implementation of activities that address the highest-priority problems in disadvantaged communities. For many municipalities, a regional LISP-based program is the only way to solve social and small-infrastructure problems that had not been addressed for years. The amount of financing per microproject, albeit nominally small, is in many cases quite sufficient, as the priority issues can be resolved through repair and maintenance works that are less expensive than new construction. From the point of view of the local municipalities (as opposed to regions), the LISP financing is quite relevant, especially if compared to the regional financing that goes to municipal budgets. For example, in the Kirov Oblast in 2015, the LISP subsidies to municipalities on average amounted to 15 percent of the annual municipal budgets. While

the average subsidy received by municipalities is the equivalent of USD 15,400, the average annual municipal budget in LISP-participating municipalities was USD 105,000.

**The nationwide implementation of the LISP approach, however, also highlighted some challenges that need to be addressed in the future.**

**As the LISP approach became more and more popular, receiving attention from federal authorities (including the Ministry of Finance), some regions started reporting activities as participatory, but in actuality some activities did not entail broad participation of the population,** and transparency—a hallmark of LISP—was lacking. Enhanced public information campaigns to attract public interest in the topic, as well as the involvement of the academic community, including in the monitoring and impact evaluation of regional programs, would help address this issue.

**Another challenge has been that some regions have tried to save on implementation support, which, based on experience, is critical to the success of the LISP-type approach.**

Some regions have reduced the number and funding for activities related to training and consultation with participants, facilitation of public discussions, and monitoring and analysis of the results. This may negatively impact the quality of the process at the community level – mainly inclusion and transparency. This, in turn, could result in reduced trust in the program and lower impact.

**And finally, the tendency of local legislature to start overregulating the program is a risk.**

Certain regionally-imposed requirements (for example, as regards required community co-financing, or quantitative requirements on participation) could lead to reduced impact or could even block a regional program. Broader inclusion of the public and technical experts in the drafting of regional legal and regulatory documents could help address this issue

**It is clear that LISP-type mechanisms could be further developed to ensure inclusion of underrepresented social groups.** Although the involvement of the population in the discussion of local development problems is quite high under a LISP-type program, more can be done to make them fully inclusive. Further work is needed to analyze the profiles of the

participants and beneficiaries, and to ensure the inclusion of special groups: for example, youth, students, vulnerable groups, people with disabilities and health problems, etc. The World Bank is actively working with regions to enhance the design of initiative budgeting (including LISP), to include the level of social inclusion.

## Annex A: Survey Methodology

### Sampling

The survey was undertaken in one round and took place in November and December of 2017. It was conducted by the Center of Sociological Research of the Russian Presidential Academy of National Economy and Public Administration. This center is also responsible for running the Russian branch of Eurobarometer.

Survey sampling included three steps. The first step was to select the regions with relatively high experience in LISP in order to be able to trace the social effects, which could have taken several years to develop. These regions were Kirov Oblast (7 years of experience), Tver Oblast (4 years), Nizhny Novgorod Oblast (4 years), and Ulyanovsk Oblast (3 years).<sup>15</sup>

The second step included the selection of the actual settlements. Two groups of settlements were taken: a treatment group of settlements that had participated in LISP, and a comparison group of non-participants. The sample included only settlements with 5,000 inhabitants or fewer. With these two criteria, the treatment sample included 51 settlements and is summarized in *Table A-1*.

*Table A-1. Treatment group, settlement sample*

Region	Number of settlements below 5,000 inhabitants that participated in LISP	Number of settlements in the sample
Tver Oblast	123	13
Kirov Oblast	233	12
Nizhny Novgorod Oblast	215	13
Ulyanovsk Oblast	75	13

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<sup>15</sup> One of the most experienced regions in LISP (Stavropol Krai) was not included due to some significant objective differences difference from the others. Stavropol Krai is a typical southern rural region, with types of settlements and specific local communities that differ from the other, more industrialized Northern or Central Russian regions. Moreover, LISP in Stavropol Krai initially targeted only the Eastern part of the region, which created significant intra-regional variance.

The settlements were selected randomly from those that fulfilled the criteria.<sup>16</sup>

For the comparison group, six settlements in the same regions were selected. The settlements from the comparison group had to be relatively close to the settlements from the treatment group based on two criteria: population, and overall settlement budget size. Thus, comparison settlements were relatively similar in size to the treatment ones, with little or no differences in their financial capacity. Also, the settlements in the comparison group had to be of the same type as their equivalents in the treatment group.<sup>17</sup> The settlements in the comparison group were selected by a propensity score matching procedure developed by Donald Rubin (Rubin, 1973). Initially, the group means were calculated for both regional groups (Tver/Kirov regions and Nizhny Novgorod/Ulyanovsk regions, see *Table A-2*).

*Table A-2. Mean settlement populations and annual budgets, by regional group, 2015*

Regional group	Settlement type	Mean population, 2015	Mean annual budget, 2015 (in thousands of rubles)
Tver and Kirov regions	Village ( <i>derevnya</i> )	524.42	2,432.84
	Village ( <i>selo</i> )	1,735.95	7,304.33
	Township ( <i>poselok, poselok gorodskogo tipa</i> )	1,811.8	7,327.55
Nizhny Novgorod and Ulyanovsk regions	Village ( <i>derevnya</i> )	1,525.75	5,867.85
	Village ( <i>selo</i> )	2,042.14	6,005.16
	Township ( <i>poselok, poselok gorodskogo tipa</i> )	2,115.1	6,436.21

Source: Population and budget data from Rosstat, 2015.

<sup>16</sup> Several replacements were made for logistical reasons. Overall, 4 settlements were replaced in the Kirov Oblast, 2 additional settlements were used in the Tver Oblast, and 1 additional settlement was used in the Ulyanovsk Oblast. The logistic reasons are either distant geographical location (some of the settlements are hard to reach during winter season) or insufficient population (in some villages the inhabitants move to other places during winter and thus, the additional settlements had to be included in the sample to keep up with the number of respondents).

<sup>17</sup> Settlement types include *derevnya* (relatively small rural settlement), *selo* (larger rural settlement) and *poselok* (even larger either rural or quasi-urban settlement).

Table A-2 shows that the villages in the second regional group on average were more populated than in the first regional group, and that their *derevnya*-type villages had budgets that were twice as large because the regions in the second group were wealthier in general. However, for the townships there were no significant differences between the groups (on average, townships in the second group were larger, but less wealthy).

Then, for each regional group, of all the settlements without treatment 6 were selected by the nearest-neighbor method, which measured the least Euclidian distance between the group means shown in Table A-2 and the same parameters, population, and budget size of the settlements without treatment.<sup>18</sup> First, 9 comparison settlements for each regional group were selected, and then the sample was narrowed down to 3 settlements per regional group based on the same logistical reasons as for the treatment group. The settlements in the comparison group with their main characteristics are presented in Table A-3 (also, Table A-55).

Table A-3. Settlement populations and budgets, comparison group, 2015

Municipal district	Settlement	Settlement type	Population, 2015	Annual budget (in thousands of rubles), 2015
<b>Tver Oblast</b>				
Udomelsky CD	Kopachevo	Village ( <i>derevnya</i> )	496	2,769.8
Vyshnevolotsky	Terelesovsky	Township ( <i>poselok</i> )	1,648	7,368.5
<b>Kirov Oblast</b>				
Kirovo-Chepetzky	Kstinino	Village ( <i>selo</i> )	1,904	6,804
<b>Nizhny Novgorod Oblast</b>				
Shatkovsky	Sharapovo	Village ( <i>derevnya</i> )	1509	6,011.3
Dalnekonstantinovsky	Sarley	Village ( <i>selo</i> )	2114	5,930
<b>Ulyanovsk Oblast</b>				

<sup>18</sup> For the matching procedure, we use the package MatchIt developed for R (Ho et al., 2007).

Municipal district	Settlement	Settlement type	Population, 2015	Annual budget (in thousands of rubles), 2015
Insensky	Glotovka	Township ( <i>poselok gorodskogo tipa</i> )	2,138	5,935

Source: Population and budget data from Rosstat, 2015.

As *Table A-3* shows, in the Tver and Kirov regions the settlements in the comparison group were very close to the settlements in the treatment group in both population and budget size (with the exception of Kstinino, whose annual budget was lower by approximately 0.5 million rubles). For the other two regions, the parameters were very close as well.

### Individual Sample Characteristics

The third step was the selection of respondents. This selection was randomized with quotas on gender and age groups that corresponded to regional group means. Overall, the number of respondents in the treatment group was 2,010 and in the comparison group it was 500. The interviews with respondents were conducted via face-to-face interactions with the interviewer.

Individual sampling results for treatment and comparison groups are described in *Tables A-4 and A-5*. Gender, age groups, marital status, education and income are presented in *Figures A-1 to A-55*.

*Table A-4. Treatment group characteristics, by region, 2015*

Region	Number of settlements	Number of respondents per settlement	Mean settlement population, 2015	Mean annual budget per settlement (in thousands of rubles), 2015
Tver Oblast	13	501	1,074	5,244.99
Kirovsk Oblast	12	507	1,666	6,323.17
Nizhny Novgorod Oblast	13	502	1,359	5,631.1

Ulyanovsk Oblast	13	500	2,829	6,791.44
Total	51	2,010	1,732	5,997.68

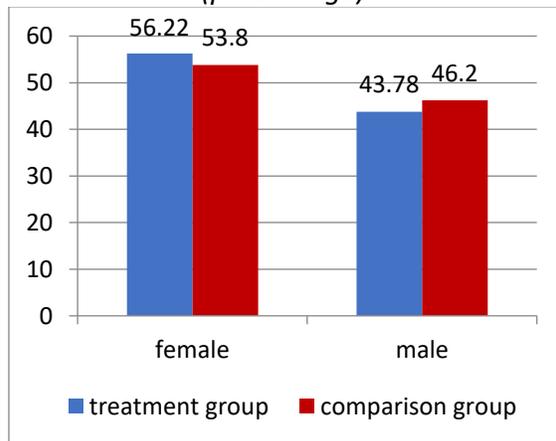
Source: Population and budget data from Rosstat, 2015.

Table A-5. Comparison group characteristics, by region, 2015

Region	Number of settlements	Number of respondents	Mean population, 2015	Mean annual budget size, thousands of RUB, 2015
Tver Oblast	2	113	1,072	5,069.15
Kirov Oblast	1	99	1,904	6,804
Nizhny Novgorod Oblast	2	186	1,812	5,970.65
Ulyanovsk Oblast	1	102	2,138	5,935
Overall	6	500	1,732	5,944.7

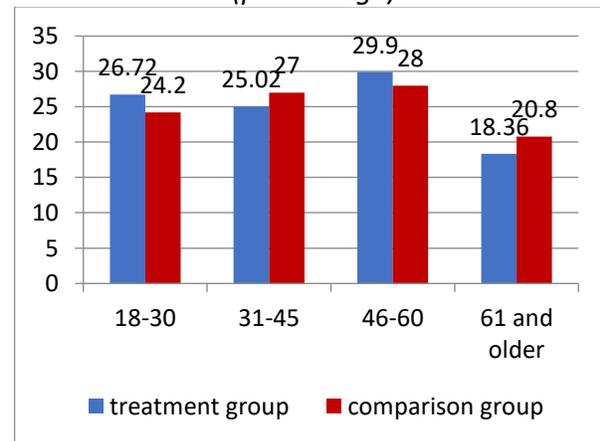
Source: Population and budget data from Rosstat, 2015.

Figure A-1. Gender in individual sampling (percentage)



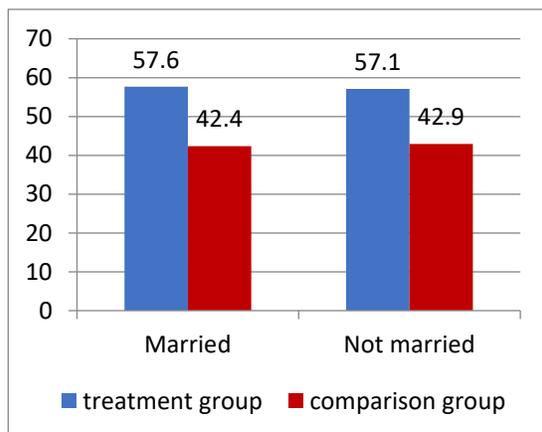
Note: Chi-squared value: 0.854 with p-value = 0.355; Mann-Whitney U value: 514660 with p-value = 0.330

Figure A-2. Age in individual sampling (percentage)



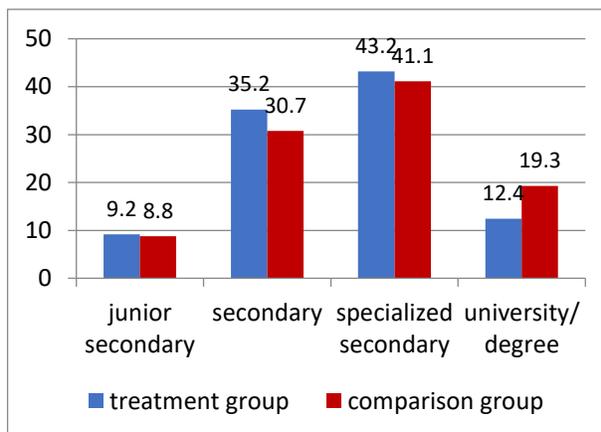
Note: Chi-squared value: 3.338 with p-value = 0.342; Kruskal-Wallis chi-squared value: 0.992 with p-value = 0.319

Figure A-3. Marital status in individual sampling (percentage)



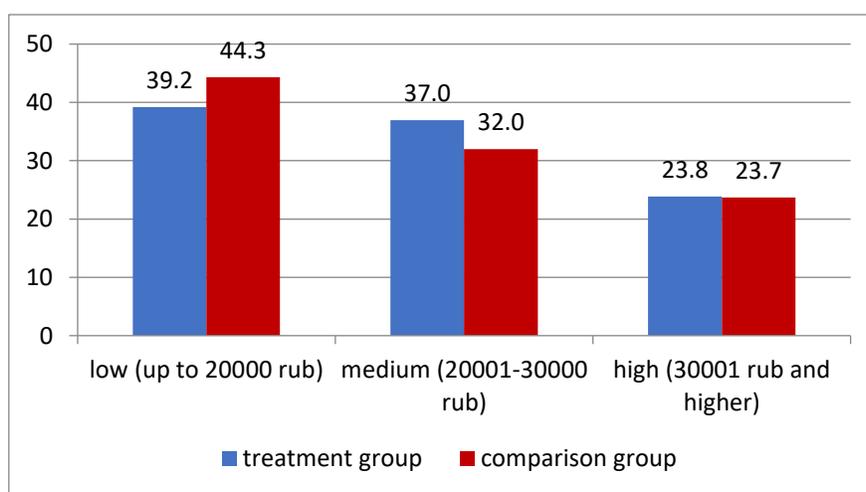
Note: Chi-squared value: 0.026 with p-value = 0.872; Mann-Whitney U value: 496630 with p-value = 0.833

Figure A-4. Education in individual sampling, (percentage)



Note: Chi-squared value: 13.632 with p-value = 0.003; Kruskal-Wallis chi-squared value: 8.236 with p-value = 0.004

Figure A-5. Income in individual sampling, percentage



Note: Chi-squared value: 4.831 with p-value = 0.089; Kruskal-Wallis chi-squared value: 1.941 with p-value = 0.163

Table A-6. Summary sample statistics

Statistic	N	Mean	St. Dev.	Min	Max
Changes in the life of the settlement	2,442	1.912	0.730	1	3
Satisfaction with:					
life in the settlement	2,486	3.070	0.846	1	4
housing and communal works	2,376	2.285	0.958	1	4

<b>Statistic</b>	<b>N</b>	<b>Mean</b>	<b>St. Dev.</b>	<b>Min</b>	<b>Max</b>
Roads	2,493	2.679	1.249	1	5
water supply	2,432	3.567	1.247	1	5
cultural institutions	2,229	2.981	1.376	1	5
sport facilities	2,042	2.836	1.504	1	5
Public confidence in the head of the settlement	1,819	2.681	0.980	1	4
Responsibility (settlement level)	2,397	2.715	1.457	1	5
Responsibility (street level)	2,436	3.722	1.452	1	5
Accountability of local government	2,510	0.449	0.498	0	1
Approachability of local government	2,510	0.710	0.454	0	1
Local government holds meetings to discuss local issues	2,252	0.867	0.338	0	1
Local meetings allow to solve local issues	2,004	2.698	0.813	1	4
Readiness to invest money: public project	2,510	0.264	0.440	0	1
Readiness to invest money: charity project	2,510	0.319	0.466	0	1
Readiness to invest time and effort: public project	2,510	0.449	0.496	0	1
Readiness to invest time and effort: charity project	2,510	0.445	0.497	0	1
Gender	2,510	0.443	0.497	0	1
Age	2,510	44.649	16.487	18	86
Education (grouped)	2,510	2.685	0.867	1	4
Marital status	2,503	1.428	0.495	1	2
Income (grouped)	2,196	1.805	0.795	1	3

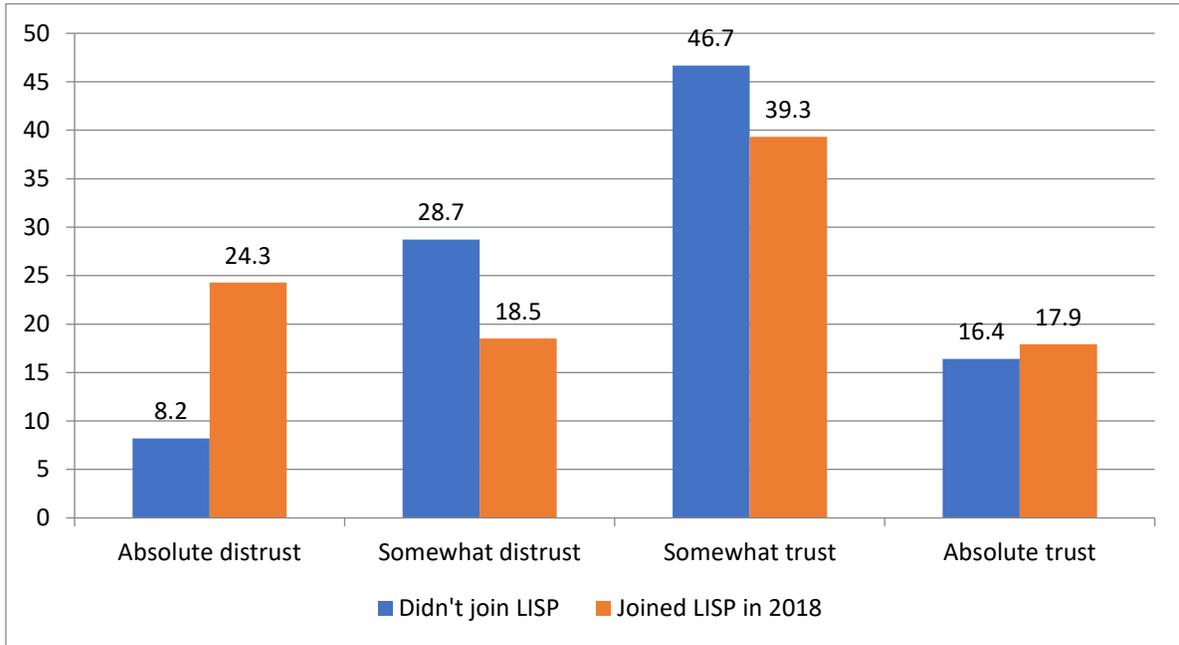
### **Self-selection Analysis**

Settlement selection in the sample had to address some methodological questions related to possible self-selection bias. Since settlement's participation in LISP was voluntary and the decision to participate was always made or approved by the head of the settlement, there was a self-selection element in the proposed sample, i.e. the quality of governance or high levels of public confidence could be positively associated with the decision to participate. In other words, a 'good' head of the settlement would be interested in increased quality of public goods provision, hence, he or she would be willing to participate in LISP or any other program that provided an opportunity of such increase. Also, in the settlements that had high levels of interpersonal or institutional confidence, the success of LISP could also possibly be

higher than in the others. On the contrary, a 'bad' head of the settlement, who is not interested in increased quality of public goods provision, could act otherwise, refusing to participate, and the lower levels of public confidence might undermine the quality of citizen participation. This creates a question about the causal attribution of LISP effects: increased public confidence and the quality of public goods provision could be based on the specific characteristics of any given settlement, such as the personal efficiency of a certain head of the settlement, rather than on any LISP effects.

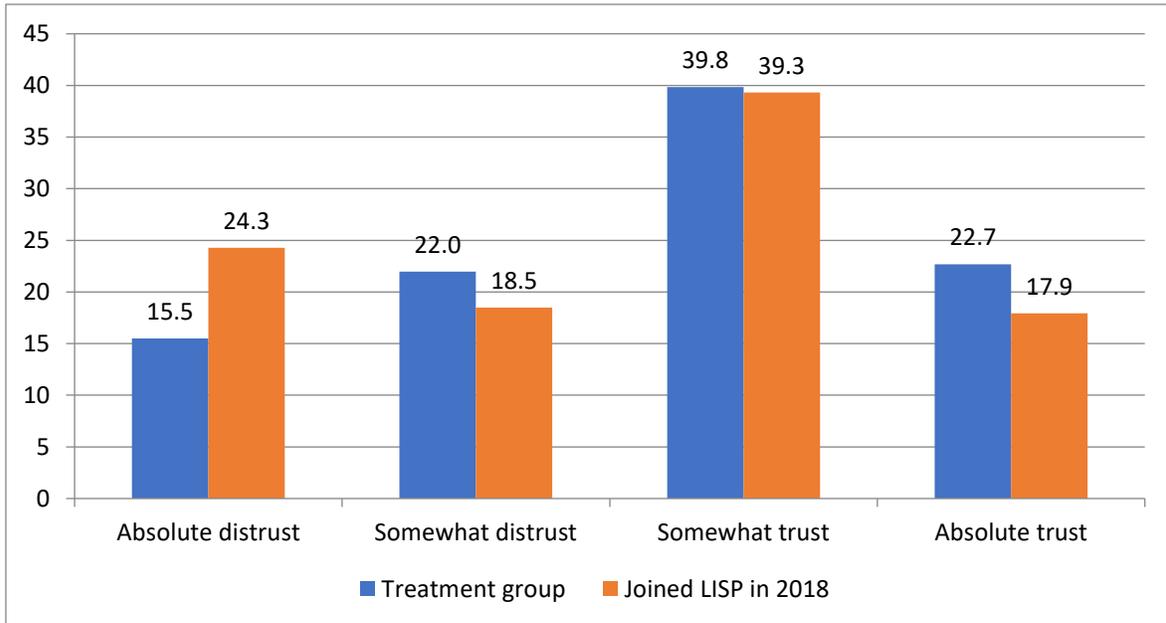
To address this potential issue, the survey used two considerations. The first consideration was in fact a naturally occurring experiment, which took place without any intervention from the survey team. In 2018, the heads of 3 out of 6 settlements in the comparison group made a decision to participate in LISP. Thus, to test the self-selection hypothesis (public confidence and quality of governance influence the decision to participate), the survey compared the levels of public confidence in local governance (i.e., the head of the settlement) between settlements in the comparison group (in those who decided to participate with those who didn't), and newcomers who joined in 2018 and the settlements in the treatment group. The results are summarized in *Figures A-6* and *A-7*.

Figure A-6. Distribution of levels of public confidence in local authorities (by percent of respondents), comparison group settlements



Note: Chi-squared value: 20.301 with p-value = 0.000; Mann-Whitney U value: 18452 with p-value = 0.100

Figure A-7. Distribution of levels of public confidence in local authorities (by percent of respondents), comparison group settlements that joined LISP in 2018 and treatment group settlements



Note: Chi-squared value: 9.6899 with p-value = 0.022; Mann-Whitney U value: 137470 with p-value = 0.032

The differences are statistically significant, and on a standard 4-point ordinal scale the levels of public doubt in the head of the settlement are significantly higher in the settlements that joined LISP in 2018 than in both the treatment group and in the settlements that didn't join LISP.

The second consideration was based on the results of supplementary qualitative research, which included 48 semi-structured interviews with the heads of settlements and municipal districts about their experience with LISP, including their motivation and assessment of risks. The results suggested that the biggest risk for the head of the municipality before making the decision to participate was that they might fail to collect needed contributions from the citizens. However, this risk emerges not from the existing public confidence or doubt in the head of the settlement but rather from his or her perception of the public confidence, which was evaluated as quite low by the interviewed officials. For example, in order to make the decision, local officials analyzed the experience of their neighboring administrations, and, usually, if their neighbors succeeded in their first year, this increased the probability that the local official would make a decision to participate in LISP, since they faced almost the same situation during the start of the program. Therefore, most of the interviewed heads of settlements took a risk of starting the program regardless of their perception of public confidence.

These results suggest that the heads of the settlements, when making the decision to participate in LISP, were basing their decisions on low levels of public confidence. Their decision included an intention to increase community confidence in their institution by providing citizens with an opportunity to participate in setting priorities in the decision-making process over public goods provision. Therefore, the survey results tend to disprove the self-selection hypothesis that the settlements with higher levels of public confidence were more likely to participate in LISP than the ones with low levels of public confidence. In fact, the decision to participate seems to have been made under the opposite circumstances.

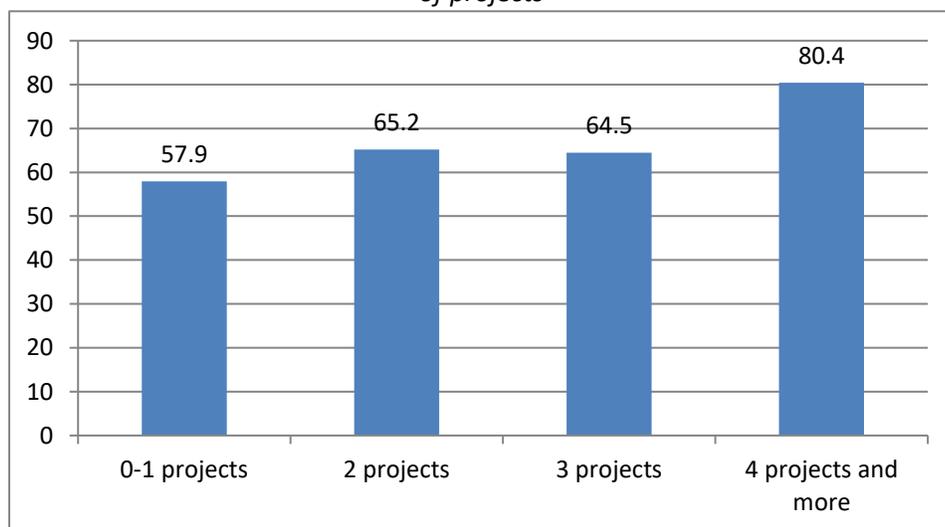
## Annex B: Changes in the Levels of Public Confidence in Local Authorities and Satisfaction with Public Goods Provision

### 1. Public Confidence in Local Authorities

The survey results show that those heads of settlements who ensured that residents were engaged in discussions and in the resolution of local issues under PB programs, also enjoyed greater public confidence (see *Figure 16* in the main text).

These results are encouraging, since public confidence in local governance in Russia remains quite low (see Russian average score in *Figure 16* in the main text). In other words, the settlements that participated in LISP form a different pattern of public confidence in local governance, which diverges from the general tendency observed in Russia in recent years. Moreover, the effect of LISP on public confidence in local governance depended on the intensity of treatment. The results show that the settlements with longer experience in LISP have significantly higher levels of public confidence in local governance, although the pattern is not linear (see *Figure B-1*).

*Figure B-1. Levels of public confidence in the head of the settlement (percentage summing “absolute” and “some” public confidence), for settlements grouped by number of projects*



Source: Sociological survey in Russian regions to measure social effects of participatory budgeting, 2017.

With current research design, it was not possible to measure the dynamics of public confidence levels. Therefore, Figure B-1 represents a quasi-dynamic pattern, which was constructed by dividing the sample into the groups of settlements with different experience in LISP. The experience indicator is the number of projects implemented through LISP.

In order to test the significance of the LISP influence on public confidence at the settlement level, the effects had to be isolated from individual effects. The concept of public confidence (institutional, interpersonal, or general) is highly dependent on the individual attitudes and values. However, it is possible to assess both settlement-level effects (including LISP) and individual-level predictors. This is achieved by running independent linear probability models (LPMs). The dependent variable is public confidence in the head of the settlement (initial 4-point scale is reduced to binary scale). The settlement-level effects, besides LISP, were the population and budget size of the settlement (budget size is taken in logarithmic scale). Also, the methodology tested discontinuities in LISP (if annual participation of the settlement had a break of 1 year or more) and the diversity of implemented projects. The results of settlement-level LPMs are summarized in *Table B-1*.

*Table B-1. Linear probability models on levels of public confidence in the head of the settlement (settlement-level effects)*

<b>Dependent variable: Public confidence in the head of the settlement</b>		
	<b>Model 1</b>	<b>Model 2</b>
LISP experience	0.038*** (0.007)	0.021** (0.010)
LISP discontinuity	0.025 (0.027)	0.022 (0.027)
Project diversity		0.035** (0.015)
Population size	-0.00004*** (0.00001)	-0.00003** (0.00001)
Budget size	0.026 (0.035)	0.012 (0.035)

<b>Dependent variable: Public confidence in the head of the settlement</b>		
	<b>Model 1</b>	<b>Model 2</b>
Constant	0.420 (0.285)	0.515* (0.287)
Observations	2,217	2,217
R <sup>2</sup>	0.019	0.021
Adjusted R <sup>2</sup>	0.017	0.019
Residual Std. Error	0.472 (df = 2212)	0.472 (df = 2211)
F Statistic	10.426*** (df = 4; 2212)	9.365*** (df = 5; 2211)

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01  
Standard errors in parentheses.

Model 1 included years of participation in LISP, discontinuities in the process, and population and budget size of the settlement. The results show that every additional year of LISP experience increased the probability of higher public confidence in the head of the settlement by 3.8 percentage points. Population size was also statistically significant, but it did not have a substantial effect.

However, if the diversity of projects is added into the equation (see Model 2), the results change. The diversity of projects was measured by the number of types of local infrastructure targeted by LISP (namely, roads, water supply, communal works, cultural institutions, sport facilities and others). As the results of Model 2 show, project diversity has even stronger positive effect on public confidence levels (3.5 percentage points). This means that not only the longevity of participation matters, but also the variety: if the projects were diverse and target different areas or types of local infrastructure, the citizens were more likely to have higher public confidence in their head of settlement. This can be explained by the visibility of the projects: people see how life in the settlement improves in various ways, for example, they get not only improved roads and pavements, but also renewed cultural and sport facilities. This in turn is linked with the 'good' governance of the head of the settlement who was actively involved in the implementation of LISP.

However, settlement-level effects were not the primary effects in explaining the levels of public confidence in local governance. They were highly influenced by individual attitudes and views on local governance and on the settlement itself. That is why the individual effects were modelled independently in order to reveal other kinds of public confidence predictors. The results of individual-level models are presented in *Table BB-2*.

*Table B-2. Linear probability models on levels of public confidence in the head of the settlement (individual-level effects)*

	<i>Dependent variable: Public confidence in the head of the settlement</i>			
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
Age	-0.0001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Gender	0.008 (0.023)	-0.008 (0.021)	0.016 (0.020)	0.019 (0.020)
Education	-0.002 (0.013)	-0.001 (0.012)	-0.010 (0.012)	-0.016 (0.012)
Income	-0.0001*** (0.00004)	-0.0001** (0.00003)	-0.0001 (0.00003)	-0.00005 (0.00003)
Knowledge	0.035 (0.059)	-0.024 (0.054)	-0.059 (0.052)	-0.054 (0.052)
<i>Satisfaction levels:</i>				
Life in the settlement		0.163*** (0.028)	0.132*** (0.027)	0.131*** (0.027)
Housing and communal services		0.399*** (0.022)	0.331*** (0.022)	0.326*** (0.022)
<i>Responsiveness assessment:</i>				
Accountability of local government			0.214*** (0.022)	0.205*** (0.022)
Approachability of local government			0.116*** (0.025)	0.112*** (0.025)
<i>Participation:</i>				
Participation in LISP				0.053**

<i>Dependent variable: Public confidence in the head of the settlement</i>				
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
Constant	0.661*** (0.080)	0.428*** (0.075)	0.331*** (0.072)	0.337*** (0.072)
Observations	1,706	1,605	1,605	1,605
R <sup>2</sup>	0.004	0.240	0.308	0.311
Adjusted R <sup>2</sup>	0.001	0.236	0.304	0.306
Residual Std. Error	0.468 (df = 1700)	0.411 (df = 1597)	0.392 (df = 1595)	0.392 (df = 1594)
F Statistic	1.512 (df = 5; 1700)	71.967*** (df = 7; 1597)	79.026*** (df = 9; 1595)	71.812*** (df = 10; 1594)

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01; Standard errors in parentheses.

These four models demonstrate the process of evaluation of municipal governance by the citizens on the individual level, with public confidence as the evaluation proxy. Citizens evaluate the head of their settlement according to a certain level of institutional performance in meeting the social needs of the settlement and his or her responsiveness toward public participation. Model 1 shows that there is no significant effect of demographic variables on public confidence in local governance. A knowledge variable was added, that tested whether the respondent was able to name the head of the settlement. The variable represents binary coding for wrong and right answers. However, it did not add any explanatory value, so it is safe to assume that the respondents did not evaluate the personal representation of municipal governance, but their public confidence was directed towards the institution itself.

Model 2 added satisfaction rates explained in the previous sections, and the results showed that higher satisfaction with life in the settlement in general and with its housing and communal services did increase the level of public confidence in the head of the settlement. This proves that the citizens evaluated the delivery of public goods that matched their needs: if the quality of the delivery was satisfactory, the public confidence in those who were responsible for this delivery increased.

Model 3 added the assessment of the responsiveness of the local government: both accountability (whether local administration takes into account citizens' opinion) and approachability (whether local government is accessible for the citizens to discuss local issues). Both of these responsiveness dimensions significantly increased the levels of public confidence in local government.

Finally, Model 4 introduced the participation dummy variable, which divided the sample into two groups: people who never participated in LISP, and people who somehow got involved (donated money, participated in the local assemblies or initiative groups or even contributed with manual labor). The results of Model 4 suggest that the participation process itself increases public confidence in local government, which is not surprising since the head of the settlement or municipal officials were usually deeply involved in implementation of the projects developed through LISP. So, by participating in any kind of activity through LISP, citizens got to see local governance from within – this “opened the black box” of governance for ordinary people. By learning the details of the process, citizens became more aware of how the settlement was managed, which increased their public confidence.

Thus, the participation in LISP had a small but statistically significant effect on the process of evaluation of municipal governance. Strictly speaking, all variables from Models 1 to 3 were not directly associated with LISP (however, accountability and approachability can be affected by it). However, the addition of participation in LISP in the regression models showed that participation did indeed play a role in assessing the quality of life in the settlement and was positively associated with the evaluation of municipal governance (by higher levels of public confidence in the head of the settlement).

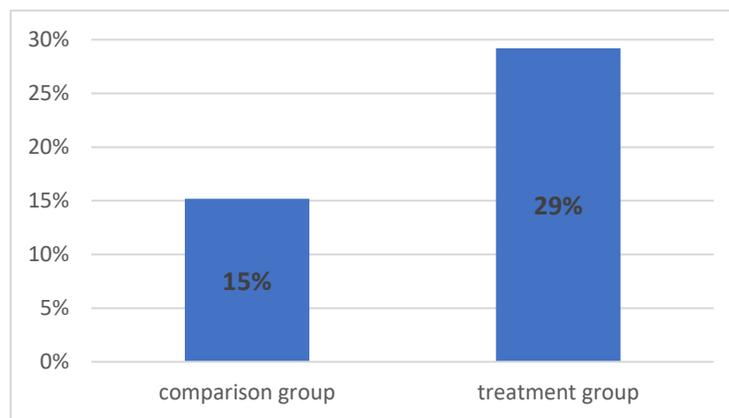
## **2. Citizens' Perception of their Role in Local Development**

There is also another dimension of public confidence that is linked with citizens' attitudes to their own role in local development. The respondents reported their readiness to invest money in socially significant micro-projects, which is a function of both interpersonal and institutional public confidence (*see Figure B-2*). The interpersonal dimension comes from joint

efforts in the cofinancing process. Usually, in LISP the money contributed by people is collected by the citizens themselves: this means the members of initiative groups ask other citizens to contribute to a certain initiative. Thus, the readiness to invest personal funds can be fostered by the previous positive experience of participation in LISP: people donated money for a project and were able to observe the accomplishment of their efforts. The institutional dimension is connected to LISP itself. Since the cofinancing procedure is usually a specific characteristic of the program, an earlier positive experience from the investment could also be associated with the positive results of LISP in a particular settlement.

In many respects, the citizens' willingness to invest their own money was associated with citizens' trust in LISP mechanisms and procedures, although this readiness went beyond this project. People also may be ready to invest in public projects outside of LISP, thus fulfilling their need for public participation, which until then had been blocked by the weakness of civil society.

*Figure B-2. "Are you ready to invest your personal money in the public project?"  
(Percent of respondents answering "Yes")*



Source: Sociological survey in Russian regions to measure social effects of participatory budgeting, 2017.

### **3. Linkages to Beneficiary Satisfaction with Local Infrastructure and Services**

As explained in *Section 5C*, citizens in communities that participate in LISP-type programs were more satisfied with local socioeconomic infrastructure and services. As these findings

are parallel to the public confidence in local government and self-perception, independent linear probability models were run, with the satisfaction with each component of social infrastructure treated as the dependent variable on the number of projects implemented through LISP and targeting the same type of social infrastructure. This supplemental analysis evaluated the contribution of LISP to the variance in satisfaction with public infrastructure in the settlements that were affected by LISP (i.e., the treatment group). This logic aimed to analyze whether there was a significant covariation between satisfaction in the particular type of infrastructure (roads, water supply, cultural institutions, sport facilities and communal services) and the intensity of LISP treatment (which is expressed as the number of projects implemented through LISP). The results are presented in *Table B-3*.

Table B-3. Linear probability models of satisfaction with social infrastructure on the number of projects implemented through LISP, on treatment group

	<i>Dependent variables: Satisfaction with:</i>				
	Roads (1)	Water supply (2)	Cultural institutions (3)	Sport facilities (4)	Communal services (5)
<b>Project diversity</b>	<b>0.179***</b>	-0.077**	0.047	-0.041	0.032
	(0.043)	(0.033)	(0.043)	(0.041)	(0.040)
<b>Roads</b>	0.045***	0.035***	0.109***	0.139***	0.005
(N of projects)	(0.014)	(0.011)	(0.014)	(0.014)	(0.013)
<b>Water supply</b>	-0.229***	<b>-0.108***</b>	-0.008	0.149***	-0.043
(N of projects)	(0.032)	(0.026)	(0.034)	(0.033)	(0.031)
<b>Cultural institutions</b>	-0.041**	-0.097***	<b>0.205***</b>	0.113***	0.008
(N of projects)	(0.021)	(0.017)	(0.021)	(0.022)	(0.020)
<b>Sport facilities</b>	-0.005	0.133***	0.116**	<b>0.338***</b>	<b>0.127***</b>
(N of projects)	(0.048)	(0.038)	(0.049)	(0.046)	(0.045)
<b>Communal services</b>	-0.039	-0.030	0.062**	0.007	0.012
(N of projects)	(0.028)	(0.022)	(0.029)	(0.027)	(0.026)
<b>Other projects</b>	-0.062	0.100***	0.066	0.252***	0.079*
(N of projects)	(0.045)	(0.035)	(0.047)	(0.043)	(0.042)
<b>Constant</b>	0.249***	0.953***	0.116*	0.104*	0.335***
	(0.063)	(0.050)	(0.066)	(0.062)	(0.060)
Observations	761	841	791	793	1,029
R <sup>2</sup>	0.186	0.246	0.145	0.187	0.039
Adjusted R <sup>2</sup>	0.178	0.240	0.137	0.180	0.033
Residual Std. Error	0.446 (df = 753)	0.373 (df = 833)	0.464 (df = 783)	0.453 (df = 785)	0.489 (df = 1021)
F Statistic	24.579*** (df = 7; 753)	38.842*** (df = 7; 833)	18.917*** (df = 7; 783)	25.787*** (df = 7; 785)	5.997*** (df = 7; 1021)

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01. Strongest effects in **semi-bold**.

As Table B-3 shows, there were substantial effects on satisfaction with different types of social infrastructure, except communal services. This means that even if a certain type of social infrastructure was sufficiently developed, projects implemented through LISP still

contributed to citizens' evaluation of the quality of this type of infrastructure. It is likely that this effect is observed because LISP projects reflected citizens' priorities, which were conveyed during the process of program implementation.

LISP projects demonstrated substantial effects on two types of social infrastructure: cultural institutions (most of the projects target 'houses of culture', i.e. community centers) and sport facilities. LISP projects had a small effect on satisfaction with roads (4.5 percentage points) and a strong negative effect on satisfaction with the water supply (10.8 percentage points). Because roads are very capital-intensive and expensive, these findings can be explained by the effects of other road-construction projects outside LISP that overshadow its effect.

The second finding (on water supply), however, is more difficult to explain. Model 2 suggests that the higher number of projects were implemented targeting water supply, the less satisfied were the citizens. This might be explained by the specificity of certain projects targeting water supply. For example, in some cases, communities approved public works to repair or install the pipes that supplied water to a certain street. Thus, the citizens living on this street may feel more satisfied with the improvements in their water supply, while the citizens who did not gain access to the improved water supply may have felt deprived, resulting in a reverse effect on the beneficiaries' opinions.

Also, the number of projects targeting sport facilities had a stronger effect on the satisfaction with communal services. This may be explained by the specificity of the implemented projects: most of the initiatives in the communal sphere included beautification or improvement of certain public spaces (squares, parks, playgrounds, etc.) and often the installment of a variety of sports equipment was a part of these initiatives. Conversely, when a sports field was constructed, the project also included beautification improvements (planting lawns, flowers, renovation of pavement, etc.). Therefore, these two types of social infrastructure seem closely interdependent, which may have caused an amplification effect.

Therefore, it can be concluded that LISP effectively contributes to the increase in citizens' satisfaction by providing services related to the social infrastructure (water, roads, community centers, and sport facilities).

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## ABSTRACT

This paper reviews the performance of the Russia Local Initiatives Support Program (LISP) as an instrument for directly addressing the needs of the population to access socioeconomic infrastructure, for increasing public confidence in self-governance frameworks and institutions through dialogue and community budgeting consultations, and for strengthening the capacity for local self-governance. The paper does this by looking at historical and survey data from the implementation of the LISP methodology as part of regional programs in Russia.

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