Institutional Change in the Russian Forest Sector

Stakeholder Participation in Forest Policy Formulation
The Case of Tomsk

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Preface

Since the beginning of the 1990s, Cerum has been engaged in research and investigations of socio-economic developments in north-west Russia. The serious problems facing society in this remote Russian area bordering the northern periphery of the European Union have been accentuated by the fundamental changes brought about by the transition in Russia from a command economy to a more market oriented system. The problems needing primary attention are one way or another related to the goal of attaining a sustainable use of the region’s valuable natural resources.

This report focuses on the institutional prerequisites for a sustainable exploitation of the forest resources in Tomsk Oblast in West Siberia. Since the spring of 1997, Cerum researcher Mats-Olov Olsson, who is the author of the report, has been working with the Forestry Project at the International Institute for Applied Systems Analysis (IIASA) in a study called “Institutions and the Emergence of Markets – Transition in the Russian Forest Sector.” Members of the IIASA research group have looked at problems related to the forest sector institutions in eight Russian regions, including Tomsk and the three regions of north-west Russia (Murmansk, Karelia, and Arkhangelsk). In order to share the results of the study with the people most concerned, i.e., the people living in the Russian case study regions and working in the local forest sector, the study results were presented to forest stakeholders in the respective regions. These stakeholders were also invited to discuss the findings and initiate a process with the aim of generating recommendations for improving the regional forest policy. The policy exercise was chosen as the tool for achieving those goals.

This report discusses the rationale for participatory policy formulation processes and the experiences gained through a policy exercise organized in the city of Tomsk in June 2000. The event in Tomsk was a pilot exercise with the purpose of further developing the policy exercise format and techniques.

The present report should be possible to read independently of earlier published reports from the IIASA study of Russian forest institutions. It provides a brief summary of the findings previously reported in the case study of the institutional problems encountered by the forest stakeholders of Tomsk Oblast. (All published reports from the IIASA institutional framework study are listed in Appendix 1.) The report will be of interest for researchers and politicians engaged in the planning of similar participatory policy development initiatives in Russia or elsewhere in the world.
The results of the work carried out by Mats-Olov Olsson and colleagues in the IIASA study is currently being used as the foundation of a research effort at Cerum concerning policy-driven institutional change, as exemplified by the continued transition in the forest sector of north-west Russia.

Umeå, December 2002

Lars Westin
Director of Cerum
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1. INTRODUCTION

1.1 Background

The management of natural resources has always been a high priority area for government control. The operative management activities have often been entrusted special government agencies – in the case of forests this agency was typically the state forest service (variously named in different countries). Governments have kept a decisive say in the management of important natural resources even if they have not always been the lawful owner of the resource. In countries where the resources have been (primarily) privately owned, governments have typically embedded the use and management of the resources with detailed regulations. The Swedish forests are a good example of a largely privately owned natural resource embedded in an institutional framework that gives the state a decisive say in its management and use. In Russia, forests were always owned by the state and there are no clear signs of any fundamental changes in this situation, even if the form of public ownership of the forest lands – federal, regional or municipal – is nowadays frequently being discussed.1

It would seem that public ownership would give the state excellent control over the management and use of the natural resources found on the territory under its jurisdiction. The degree of popular influence over the management and use of such resources would then be determined by the degree to which people are able to influence political processes, that is, it would be decided by the workings of democracy. However, during the last decade or so governments have been meeting increasing difficulties in their natural resource management, at least this seems to be the case for forest resources. A fundamental reason for these difficulties is of course that a number of independent actors (state authorities, government agencies, enterprises [both state owned and private], civic organizations, private citizens) are engaged in various ways in the actual management and use of a nation’s forests. These actors have (at least partly) different objectives and different “cultures” of natural resource utilization causing conflicts and (often) an inefficient and unsustainable resource use.

While, for a long time, these inbuilt causes of conflict and inefficiencies did not upset traditional state controlled resource management systems, there are other factors that have

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1 However, recent articles in the press indicate that some changes in forest land property rights might be contemplated by the government. For instance, according to The Moscow Times (June 19, 2002) President Putin in a speech to the State Council (a group of regional leaders) called for the introduction of long-term leases of forest lands. The Ministry of Natural Resources (which is responsible for Russia’s forestry) is said to propose an increase in lease terms from 1–5 years to a minimum of 49 years or up to 100 years if lease holders agree to take care of reforestation. It could be noted that the discussion about privatizing agricultural land has reached further (see, e.g., Skynner, 2001). As ITAR-TASS reported on July 25, 2002, President Putin recently signed a bill legalizing the sale and purchase of agricultural land. A Land Code allowing free purchase and sale of non-agricultural land was adopted already last year.
gained an increasing importance during the past decade and today these factors are causing a profound rethinking of forest management policies and practices all over the world. So, for instance, have property rights patterns shifted in some regions of the world (notably in Central and Eastern Europe), political power has become more decentralized (giving regional and municipal authorities increasing influence), democratization and multi-party politics have emerged with the decline of centrally planned one-party states, demographic transitions have shifted the population structure towards higher urbanization (with changing perceptions, interests and objectives in forest management), governments are being down-sized due to financial restrictions making them only hold on to basic functions (such as policymaking, planning, legislation, etc.), functions earlier belonging to a single natural resource management institution have become increasingly contradictory (cf. conservation and production) and sometimes various functions have eventually been separated through institutional reform and the breakup of organizations (Anderson et al., 1998).

These developments have made people engaged in forest sector issues – forest managers, users, and researchers – start thinking about how to improve forest management performance and avoid conflicts that are detrimental for the efficiency and sustainability of forest use. Suggestions for improvements have often included calls for an increased “pluralism” in forest management and collaborative or participatory approaches for engaging stakeholders in the development of efficient forest policies have frequently been suggested (see, e.g., Carter, 1999; Warburton, 1997; Buchy and Hoverman, 2000; Burley et al., 2001; Kennedy et al., 2001).

Reforming policy-making procedures in Russia and other transition countries was, as one should have expected, no simple and fast process. It was assumed that the transition would somehow automatically, through the workings of the emerging market forces, lead to an economy characterized by a greater allocative efficiency and an increase in the population’s living standards (see, e.g., Kolodko, 2000). However, after more than ten years of transition, evidence of unambiguously positive effects of the changes is still scarce. During Soviet times, resource allocation and the redistribution of income used to be entirely in the hands of the Communist Party elite. Here, there were no market forces in operation and very little influence was left with the political representation system. Thus, expectations were high for this situation to change rapidly as transition started to make an impact.

However, as is now clear for anyone to see, the transition only brought efficiency and profits to a few sectors and enterprises in the economy – here, the new free market allocative efficiency might indeed have made an impact – while leaving the majority of enterprises with small chances of survival. It also brought personal wealth to a few citizens while an increasing number of people were left with very little to share. Thus, the market reforms failed on two major goals (see, Kolodko, 1999).

Since transition did not often bring about a change of (or in) the people in charge of important social functions, such as, in our case, Russian forest managers and forest users, reform measures proposed by such circles are sure to be viewed with suspicion not only by the general public, but also by the new emerging group of business managers with a modern outlook and (often western) economic training. Efforts to reform the Russian forest policy through participatory processes engaging broad stakeholder groups (business managers,

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2 For instance, the FAO journal *Unasylva*, No. 194 (1998) contains a number of articles presented at a FAO hosted workshop in December 1997 on “Pluralism and Sustainable Forestry and Rural Development”.

3 It is this division of the economy that has been labeled the virtual economy. The concept is further discussed in Section 3.1 below.
politicians, citizen initiative groups, etc.) should therefore be both welcome for its democratic content and efficient in the sense that it would stimulate profound institutional changes.

In Russia, with its limited prior experience of democratic processes and the relatively little impact of transition so far, there is not much to build this kind of participatory policy approach upon. Under the existing circumstances the only possible way of achieving a practical result seems to be to ask the existing power structures (the political “establishment” and official forest agencies) for sanction and support in testing methods for stakeholder participation in the formulation of modern regional forest policies. Their rationale for providing such sanction and support would be their need (without knowing how) to make changes happen that would improve the situation in the forest sector.

1.2 Purpose of the Study

The general purpose of this study is (a) to assess the need for institutional changes in the Russian forest sector and (b) to discuss possibilities to improve the regional forest sector institutions through the use of participatory policy formulation methods engaging Russian regional forest stakeholders.

The research on which this paper is largely based was conducted between April 1997 and December 2001, when the author was a member of a small team of researchers in the Forestry Project at the International Institute for Applied Systems Analysis (IIASA) in Laxenburg, Austria.4 The main aim of this IIASA study called “Institutions and the Emergence of Markets – Transition in the Russian Forest Sector” was to try to understand the institutional framework governing the Russian forest sector and the changes in this framework that have taken place since the disintegration of the Soviet Union in 1991.5 To this end a series of case studies were conducted in eight Russian regions, one of which was Tomsk Oblast’ in West Siberia.6

When the eight case studies were completed the IIASA team initiated a series of so-called policy exercises with the purpose of disseminating the results of the case studies to forest stakeholders in the respective regions and to generate a discussion among these stakeholders.

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4 Information about IIASA can be obtained from the institute’s web presentation on the Internet at URL: http://www.iiasa.ac.at.

5 The IIASA in-house research team that worked with the IIASA institutional framework study consisted of four people. Dr. Lars Carlsson (Luleå University of Technology, Sweden) worked full time in the project between September 1997 and June 1998. After that he worked on a part time basis (50%) until the end of 2000. Prof. Nils-Gustav Lundgren (Luleå University of Technology, Sweden) spent a total of about three months working for the project during various visits to IIASA in 1997–2000. Mr. Mats-Olov Olsson (Umeå University, Sweden) worked full time for the project at IIASA between April 1997 and June 2000, after which he continued his work at IIASA on a part-time (50%) basis until the end of 2001. Dr. Soili Nysten-Haarla (University of Lapland, Rovaniemi, Finland) worked full time at IIASA between January and August 2000 focusing on legal aspects on the transition in the Russian forest sector. Between September and December 2000 she was affiliated with the project on a part time basis.

6 The seven other regions included in the study were Murmansk, Karelia, Arkhangelsk, Moscow, Krasnoyarsk, Irkutsk, and Khabarovsk. Several of the case studies performed in these regions were conducted by PhD students participating in IIASA’s Young Scientists Summer Program in the summers of 1997–2000. The results of these studies have been reported in IIASA’s Interim Report series. An summary and digestion of the results of the eight case studies was published in the September 2001 issue of Europe-Asia Studies (cf. Carlsson, Lundgren and Olsson, 2001). A complete listing of the publications produced by the “institutional framework study” is available on the Internet at URL: http://www.iiasa.ac.at/Research/FOR/papers/projpub2.pdf
about possible ways of improving the institutional framework in the regional forest sector.\textsuperscript{7} The current paper provides a theoretical background to these policy exercises and assesses the practical experiences gained in IIASA’s first policy exercise (in Tomsk) against the theoretical findings.\textsuperscript{8}

The kind of assessment that we attempt here entails an analysis that hopefully will be able to shed light on a number of more specific issues, such as:

- What are the general prerequisites for participatory policy processes and for initiating (creating) such processes?
- What are the specific prerequisites for the successful establishment of a participatory policy process in the Russian forest sector?
- To what extent are these prerequisites in place? (Are participatory/emancipatory systemic interventions at all possible in today’s Russian society, a society that quite recently was entirely governed by the Soviet command system)?
- To what extent can the necessary prerequisites be created, imposed or “fostered” from “the outside”? (To what extent are trust/legitimacy issues important in this context?)
- What lessons can be learned from our policy exercise in Tomsk (and the previous IIASA studies on Russian regional forest sector institutions) for initiating and conducting a successful policy process in the Russian forest sector (and elsewhere)?

Obviously, answering such questions would in principle require a discussion of broader political and economic issues, such as issues concerning the nature of the former Soviet and the present Russian society, the development of democratic institutions and institutions governing the emerging Russian market economy, the nature of institutional change, etc. However, a comprehensive discussion of all relevant issues would require much more space (and time) than we have got at our disposal. Therefore we will have to focus on what we believe to be the most important aspects of theory for our purpose. The “shortcuts” we take in this discussion are indicated in the next section.

1.3 Methodological Considerations

Through the policy exercise with forest stakeholders in the Tomsk region (that is reported in this paper) IIASA actually initiated a second series of case studies concerning institutional problems hampering the development of the Russian forest sector. Four of the eight Russian regions that were included in the first series of case studies conducted in 1997–2000 by the IIASA research team were also included in this new series. While the focus in the first series of case studies mainly was on contextual factors determining the rules (institutions) governing actors’ behavior in the regional forest sector and on the character of those rules, this second series of case studies was undertaken with the purpose of assessing the possibilities of initiating participatory policy formulation processes through the use of policy exercises.

Methodologically the study reported here – a study dealing with an externally initiated activity aiming at influencing the performance of an economic sector in a region of a foreign country – might be characterized as a systemic intervention with the purpose of improving on

\textsuperscript{7} So far (by the summer of 2002), four such policy exercises have been conducted; the first one in Tomsk in June 2000, the second in Murmansk in October the same year, the third in Karelia (Petrozavodsk) in late November 2000, and the fourth one in Arkhangelsk in March 2001.

\textsuperscript{8} A report detailing the performance and outcome of the policy exercise in Tomsk was published in December 2001 (see Olsson, 2001).
an existing problem situation. The approach is compatible with (and inspired by) modern systems thinking, especially recent developments in “Critical Systems Thinking” as elaborated, for instance, in Flood and Jackson (1991) and Midgley (2000). However, while we are inspired by, and in fact using, various aspects of these methodological approaches the purpose here is not to assess the value of various methods of systemic intervention. It is rather to see if the method we have chosen – the “policy exercise method” – really can accomplish what we intended or hoped for. Thus, in our context the policy exercise was seen as a method for stakeholders in the Russian forest sector to identify – or rather to establish a consensus on – the institutional problems existing in the regional forest sector and for facilitating a discursive elaboration of adequate and implementable designs (policies) for institutional change with the purpose of eliminating the observed problems. In fact, everything that is said in this report one way or another relates to the use of policy exercises in this capacity, i.e., as a method (or even a tool) for elaborating functional policies for improving the workings of the Russian forest sector through adequate institutional changes. Thus, the purpose of this report might be said to be to assess the value of the “policy exercise tool” in the Russian forest sector context.

Turning now to a motivation of the “methods” used in this study we will primarily focus on two things:

(a) the way in which we have approached the task that we have set ourselves (which was stated in Section 1.2 above), i.e., the study design, and

(b) the choice and use of theories, analytical methods, and empirical data, with the help of which we have performed our analysis.

The choice and use of theories, analytical methods and empirical data – as in (b) above – should be determined on the basis of an assessment of their quality and applicability for a particular analysis.

More will presently be said about our reasoning concerning these factors. However, before entering that discussion, we should at least note the rather long “series” of assumptions that lie behind the specification of the particular purpose of this paper. These assumptions should be seen as part of the method used in the study, since they framed the selection of questions to be discussed.

1.3.1 Assumptions Behind the Purpose of This Study

The task that the stated purpose of this study (cf. Section 1.2 above) requires us to solve is not entirely simple and straightforward. In fact, a number of assumptions have to be made just in order set the stage for our analysis. A basic assumption behind the whole issue is that a fundamental systemic change has been taking place in Russia after 1991 in the sense that the old Soviet “command economy” has been abandoned in favor of a transition to a market-like system. The statement that Russia is currently in transition toward a market-like system is indeed an assumption, but it is an assumption that most people – both laymen and experts in the field of economic systems – today consider viable. We also assume (and this is likewise commonly considered to be a viable assumption) that the situation in the Russian forest sector is dismal in the sense that resource allocation is highly inefficient judged from a market economic point of view. In practice, this means that the sector is not contributing as much as

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9 For an overview of systems thinking see, e.g., Olsson (2003). In the last 10–20 years a large literature has emerged on “participatory processes,” or “participatory development,” “action research,” etc. Recent examples and theoretical elaborations of such approaches can be found, for instance, in Nelson & Wright (1995); Stringer (1999); and Clarke (2000).
it could do to the country’s economic development. A third assumption is that it is crucial to
learn more about the functioning of the Russian forest sector at the local and regional level in
order to understand how the efficiency of the sector’s performance might be improved.
Behind this assumption lie a set of other assumptions. So, for instance, we assume that the
suboptimal (in the market sense) performance of the Russian forest sector is the result of (a)
an obsolete sector structure (both the administrative and company structure is largely
incompatible with the requirements of a modern market economy) and of (b) an inadequate
behavior of the actors in the system.

Consequently, since both the structure of the forest sector and the specific behavior of its
actors are, at a specific point in time, a result of the set of rules that has governed actors’
behavior prior to that moment, we assume that understanding how changes are introduced in
this set of rules – the “rules-in-use,” or institutions – is of central importance both for our
understanding of the problem situation and for our ability to actually improve on this situa-
tion. In this sense, then, one could claim that the current problems of the Russian forest sector
are fundamentally related to the institutions governing actors’ behavior and that changing
inefficient institutions is crucial for the possibilities to improve the situation (efficiency) in
the sector.

On the basis of these assumptions we hypothesize that it is possible to learn about the
prerequisites for institutional change in the Russian forest sector by studying the behavior of
its actors at the local and regional level.

The theoretical underpinning and the viability of some of these assumptions are further
discussed in Section 3 below.

Together these considerations form the “point of departure” for the task that was specified in
the purpose of this study (cf. Section 1.2).

1.3.2 The Approach Used to Solve the Task – Study Design

We try to solve our task by looking at three separate but related approaches to institutional
change in the Russian forest sector. First (in Section 2), in order to frame our analysis in the
context of existing knowledge, we look at some theories, which we believe can contribute to
an understanding of the problem of institutional change in transition countries, especially
Russia. Second (in Section 3), we give a brief account of a previous case study (in which the
author participated) of the institutional problems hampering the development of the forest
sector in one specific Russian region, the region of Tomsk in West Siberia. Third (in Section
4), against the background of the discussion of the two previous approaches, we look at the
implementation of a certain participatory policy formulation method, a so-called Policy
Exercise, that was tested with forest stakeholders in Tomsk in June 2000.

Note that it is the first and the third of these approaches to institutional change that are
especially focused in this paper. The second approach – the previous case study of
institutional problems in the Tomsk forest sector – that we briefly recount in Section 3 below,
is included here primarily as a background to the Tomsk policy exercise that is analyzed in
Section 4. (The earlier Tomsk case study has been reported elsewhere. See Carlsson and
Olsson, 1998, and Carlsson, Lundgren and Olsson, 1999). In order to make sense of the
discussions that took place during the Tomsk policy exercise, it is, however, essential to have
some understanding of the situation in the regional forest sector and the institutional problems
hampering the improvement of the sector’s performance. This is the reason for including a
brief account of the methods and results of the previous case study in this paper.
Based on the discussion and analysis concerning the three approaches to institutional change that we consider in this paper some conclusions will be ventured concerning the general purpose of this study as well as the more specific issues listed in Section 1.2 above (cf. p. 4).

1.3.3 The Choice and Use of Theories, Analytical Methods, and Empirical Data

Assuming, as we do, that Russia is a country in transition from a “command economy” to a more market-like system, and assuming as well that this transition mainly consists in achieving profound institutional changes in the current Russian system (where the institutional framework still preserves many features from the old Soviet system) we obviously have to consider recent theoretical developments relating to (a) the transition process and (b) institutional change.

In so doing we have become convinced that it is possible to achieve institutional change by design, i.e., existing “rules-in-use” can be deliberately changed through citizens’ collective action with the purpose of achieving specific changes in the rules. A feature of the old Soviet system, of which there seems to be an almost universal agreement, was its fundamentally undemocratic nature. The lack of democracy is also believed to be one of the root causes of the failure of the system to survive. The ongoing transition is therefore required to improve the functioning of the new Russian market-like system while simultaneously improving democracy. Looking for ways to achieve institutional improvements through democratic means also urges us to review some of the recent developments in the theory of democracy.

This is the reasoning behind the choice of theories that we believe can inform our study. These theories are dealt with in Section 2 below.

The methodology employed in our previous case study of the institutional problem in the Tomsk forest sector was based on the so-called the Institutional Analysis and Development (IAD) framework developed during many years of collaborative research by Prof. Elinor Ostrom and her colleagues at Indiana University in Bloomington, U.S.A. As already stated above, the account of the previous Tomsk case study given here should mainly be seen as a background to the subsequent discussion about the policy exercise in Tomsk that is at the center of interest in Section 4 of the present report. Even so, it seems motivated to include a brief account of the methods employed in the Tomsk case study that eventually led to an identification of a number of institutional shortcomings and some conclusions concerning what measures might be required to improve the situation in the Tomsk forest sector. This brief overview of the IAD framework is given at the outset of Section 3, in which the results of the Tomsk case study are summarized.

The Tomsk case study, like the other seven studies performed in the first IIASA case study series, also employed a survey among managers of forest enterprises in the region. Many of our conclusions were derived on the basis of information obtained through these surveys. The surveys consisted of interviews conducted with about 25–35 forest enterprise managers in each one of the eight regions that were part of our case study set. Questions in the survey mainly related to the behavior of the respondents in their capacity of managers working in a new and unfamiliar market context. The surveys were conducted with the help of local Russian study coordinators. The answers were reported in writing (in both Russian and English) and delivered to IIASA where the answers were analyzed. In the present context there is no need to further expand on the results of these earlier studies. (Interested readers are referred to Carlsson, Lundgren and Olsson, 2001.)
1.3.4 Summary of the Approach to Methodology and Methods

Through the above discussion on “method”, we hope to have clarified that the study reported in this paper was a case study (and – being the first study of several to follow – it should be seen as a pilot study) and that it made use (directly or indirectly) of a number of methodological approaches (of qualitative as well as quantitative nature) in order to search for answers to the questions stated at the outset of the paper (in Section 1.2).

Some of the methods used (many of them quantitative) were employed in the previous case study of the institutional problems hampering the development of the Tomsk forest sector. Those approaches are only briefly touched upon in this paper as part of the background to the main discussion concerning the use of policy exercises for improving the institutional problems afflicting the Tomsk forest sector.

The qualitative reasoning about the contemporary theorizing relating to the concepts of transition, institutional change and democracy (in Section 2) are of central importance for the present study, as are the theoretical underpinning (in Section 4.1) of the policy exercise as a participatory policy formulation method. The fact that we were given an opportunity to actually organize a policy exercise workshop with stakeholders in the Tomsk forest sector offered us an opportunity to make a kind of empirical test of the hypothesis that it is possible to gain knowledge about the prerequisites for institutional changes in the Russian forest sector by studying the behavior of its actors at the local and regional level. It also offered a “direct” opportunity to test whether the “policy exercise tool” for achieving institutional changes in the Russian forest sector can actually work.

1.4 Structure of the Paper

In Section 2, in order to fit the discussion that follows into the modern discourse on the recent developments in Russia and other parts of Eastern Europe, an overview is provided of the emerging thinking about transition, theories of institutional change and relevant extensions of theories of democracy. This discussion provides the background to the approach used in the IIASA study to try to improve the institutional framework governing the behavior of the Russian regional forest stakeholders through the organization of policy exercises.

In Section 3, as a background to what follows in Section 4, a brief overview is given of the methods and results of IIASA’s previous study of the forest sector institutions in Tomsk.

In Section 4, the focus is on the actual policy exercise conducted by IIASA in Tomsk in June 2000. Here we have a closer look at the specific regional conditions that shaped the performance and outcomes of the policy exercise. This is done against the account of the situation in the Tomsk forest sector given in Section 3. The purpose is to see if it is possible to make sense of the relation between the preconditions of the exercise and its outcome, to try to understand – against the previous theoretical discussion – what contextual features determine the performance of such an exercise.

In the final section (Section 5) some tentative conclusions are drawn on the basis of the previous discussion about the possibilities to influence institutions in the Russian regional forest sector through the use of the policy exercise tool. A reconnection is made to the questions formulated at the beginning of the paper.
2. TRANSITION, INSTITUTIONAL CHANGE AND DEMOCRATIZATION IN RUSSIA – A NOTE ON THEORY

2.1 Background

With Perestroika and, especially, with the collapse of the Soviet Union in 1991, life in Russia – normal habits and ways of conducting business – suddenly and drastically changed. Market economic features (like market set prices) started to emerge. However, the change was not smooth and uniform. It proceeded unevenly in time as well as in space. Since what happened to price formation, even if it was not a simultaneous and uniform change all over Russia, affected the basic functioning of the economy – producers started to react on “real” income-cost relations – its impact was profound and immediately noticeable. The “driving force” in the economy was no longer the plan but rather the potential of making profits. The subsequent privatization only added further momentum to this fundamental transformation process (for recent overviews of what has happened so far during the Russian transition process, see, e.g., Colton, 2000; White, 2000; Glinski & Reddaway, 1999; Ellman, 2000; Lane, 2000; Lavigne, 2000; Randall, 2001).

However, as soon became evident, such a profound system change was no fast and easy process. A multitude of basic characteristics of the old system had to be radically changed or discarded altogether. In the twelve-year period since the disintegration of the Soviet Union quite a lot has indeed happened. Radical reform measures (such as the much debated privatization process) were heavily subsidized by the western world. But it is equally clear that much of the highly raised expectations of those directly or indirectly promoting and supporting these changes have not yet been met. Still, a large number of the Russian business firms operate under rules that have little or nothing to do with conditions prevailing in a “normal” market environment. The question is why. Here we do not find much useful knowledge in the literature.

In general, it seems that, while a lot has been written about what constitutes an efficient market economy and what might make it work even more efficiently, we do not know very much about how to build such an economy from scratch or how to transform a non-market economy into an efficient market system (North, 1997). While the existing literature on transition mainly deals with changes of non-democratic states into democratic states (which is also of course relevant for the Russian transformation), there has not (yet) been so much written about the transition from a Soviet type of command economy to a market oriented economy, i.e., about the institutional changes needed to “convert” the Soviet society to a well-functioning market system. A factor complicating such writings has to do with the difficulty to understand exactly what changes in Russian reality the transition is aiming to achieve and what it is able to accomplish. Furthermore, as for instance Kolodko (2000) has pointed out, in order to be able to say something about where the transition is going one also has to know from where it is coming. In order to decide where to go you must understand from where you are coming and where you currently are, since this limits your choice of future directions, at least in the short term. This is the idea that social changes are path-dependent, as suggested in the post-socialist context by, for instance, Nielsen, Jessop and Hausner (1995) and North (1997).

As stated in Section 1.3.1 above, a central assumption in this study is that Russia currently is in a transition from its old Soviet “command economy” system to a more market-like system. This assumption is of course not taken out of the blue. It is, in fact, based on our assessment of a great amount of theoretical and empirical work already made by scientists around the world. This is work concerned with the quality of the Soviet system (both its political and its
economic aspects) as well as the causes of and mechanisms through which the Soviet system ultimately disintegrated.

While we will not give much attention in this report to issues concerning the reasons for the disintegration of the Soviet Union, or to ideological issues related to the nature and direction of the transition process, these intensively debated issues nevertheless deserve serious attention, especially since the views that an observer of transitional Russia holds on these issues intriguingly affect the selection and interpretation of facts that are deemed important for explaining past and forecasting future developments in the country. Past ideological cleavages undoubtedly still affect the way current Russian reality is understood.10 Let us, therefore, start this “note on theory” by having a brief look at the theories underpinning some of the fundamental assumptions on which this study is based. The purpose is just to emphasize the significance of these theories and state the position adopted by the IIASA research team on certain issues of basic importance for the present study.

2.2 Theoretical Foundations of Our Basic Assumptions

More specifically, in the IIASA study, “transition” was taken to represent a shift in Russian institutions (both in the sense of modified existing and newly installed “rules-in-use”) and in the “mindset” of the country’s citizens that would contribute to a more efficiently functioning forest sector (and economy in general). The “baseline” criteria used to assess the progress of the transition in the forest sector describe some basic functions effectively in operation in any western market economic system. In effect, this imposes a normative restriction on what could be considered, in the context of the IIASA study, a positive institutional change in the Russian forest sector. Thus, in characterizing the changes we simply assume that the goal of the transition in the Russian forest sector is to make it function the way the sector functions in Western Europe and North America.

This view on transition is in a sense related to the understanding of the reasons for the Soviet disintegration, which is still a hotly debated issue. Very briefly, the view (more or less implicitly) adopted in the IIASA study of Russian forest sector institutions puts the main blame for the Soviet disintegration on the allocative inefficiency of the command economy. The system was wasteful and could eventually not satisfy the needs of its citizens. Productivity was increasingly lagging behind the standards of the market economies. The main bottlenecks in the Russian economy was not the availability of natural resources, rather it lay in the inability to produce (and use) modern advanced technology (ultimately, thus, the scarce resource being good-quality labor).11 This development put an increasing pressure on the Soviet government to reform in order to improve the functioning of the economy. Eventually, however, it was clear for everyone to see that the fundamentally undemocratic political system – economic policy reforms in the Soviet Union were designed and instituted by the political sphere – could not come up with a working solution to the economic insufficiency problems. This development paved the way for Gorbachev and his perestroika attempts, which opened the door to new initiatives in Russian political and economic life. The

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10 Many examples might be provided to illustrate the often radically differing views on these issues that are held by various observers of the drastic changes that have taken place in Russia and Eastern Europe during the last decade. But since we are not pursuing this topic further in the present paper only a few references to interesting observations on the importance of ideology for the interpretation of current Russian developments will be made. See, e.g., Robinson (1995) who discusses the role of ideology in the development and failure of Gorbachev’s reforms, and a Marxist analysis offered by Hillel Ticktin (1992 and 1999), who interprets the reform movement that started with perestroika as a vain attempt by the old nomenklatura to remain in power.

11 This was early suggested by Ticktin (1992).
relatively short Gorbachev era (1985–1991), when efforts were still (at least initially) aimed at reforming the old Soviet system, ended even before it was clear what effects the reforms might have been able to produce (see, e.g., Cox, 1996; Kotz & Weir, 1997).

With Yeltsin’s takeover (in 1991) the development took a different direction, now under a strong influence of foreign actors, notably the World Bank, IMF, and U.S. development aid. A strong case can be made for the view that the events that finally triggered the actual overthrow of the Soviet Union were the result of manipulations of a rather small group in the Russian elite, which was (mainly) supported by U.S. financial aid and advisors (cf., for instance, Wedel, 1998). After its initial success, when several profound reforms in principle transformed the Soviet command economy into a rudimentary market system, the “Washington Consensus” (as “shock therapy” came to be officially known) has been the target of an increasing criticism for not taking into account the social costs of the reform process and the fact that profound social changes actually cannot be introduced and expected to work smoothly in a short period of time. Perhaps the most important criticism was (somewhat unexpectedly) mounted from the (then) chief economist of the World Bank and (later) Nobel Laureate, Joseph Stiglitz (see, e.g., Stiglitz, 1999), but many other prominent western researchers also contributed to this criticism (cf. for instance Desai, 1995; Nielsen, Jessop & Hausner, 1995; Ellman, 1997; North, 1997; Raiser, 1997; Kolodko, 1999 and 2000; Hedlund, 2000;).

This interpretation of the background to, and the immediate reasons for, the Soviet disintegration helps to explain the general hesitation on the part of Russian citizens about all “reform proposals” affecting Russian political and economic life. Russians in general seem to be extremely skeptical to any reforms proposed by their political representatives, even if these representatives nowadays have been appointed through legitimate elections. In such a situation – and this was in fact one hypothesis behind IIASA’s policy exercises with Russian forest stakeholders – all endeavors to engage citizens in participatory policy processes should be seen as an attempt to improve democracy and make the results of political deliberations more legitimate, thus increasing chances of successful implementation of political decisions.

We are not going to pursue these issues further here. Suffice it to say once again that the analyst’s understanding of the Soviet economy and society constitutes a restriction on the types of changes/reforms that he or she can envisage. And the fact remains: there is no unanimously agreed upon understanding of the character of the Soviet system, nor, for that matter, of the reasons for its disintegration or the most efficient route of transformation.

This is why here we should outline the most important points of departure for our study of institutional change in the Russian forest sector. In the following sections, therefore, we will (1) state our views on the character of the Russian transition and refer to some of the

12 We should note here (cf. Brown, 2001; Fish, 1995) that the final disintegration of the USSR (in 1991) was preceded by the “transition from communism,” i.e., the fact that the Communist Party had to abandon its monopoly of power. In 1990, the Party’s “leading role” in society was formally abandoned through a change in the Soviet Constitution. In reality it had disappeared earlier with the rise of numerous sociopolitical movements. See also Sergeyev & Biryukov (1993).

13 See, e.g., Solnick (1998) who explains the main causes of this popular skepticism of political reforms in the Soviet Union and why this skepticism remained prominent during the first decade of transition, showing how officials in the political and economic sphere were able to pursue their own self interests at the expense of public good. Brown (2001:38) describes how the Russian political elite regularly has “put the pursuit of naked power and personal wealth ahead of respect for democratic institutions, political accountability, and the general welfare.” He concludes: “When so much of what has been dignified with the title of ‘economic reform’ has involved dirty deals behind the voters’ backs, it is hardly surprising that public opinion turned against the ‘really existing democracy’ of the Second Russian Republic.”
emerging theorizing about the process; (2) have a look at theories of institutional change, since the Russian transition is largely about changing inefficient rules to improve the institutional framework; and we will (3) briefly look at theories of democracy, especially modern developments of these theories elaborating so-called deliberative (or discursive) democracy, since these extensions of the theory seem to be highly relevant for policy-making in a political situation characterized by popular distrust, which seriously hampers policy implementation.

2.3 Transition the Russian Way

The literature on transition mainly deals with changes of the political governance system from a non-democratic to a democratic rule (Carothers, 2002). This literature has appeared in the last twenty years and it was occasioned by what seemed to be a clearly discernible trend among non-democratic countries to move towards more democratic rule. The literature offered an analytical framework that made it possible for the organizations (mainly in the U.S.) promoting democracy abroad “to conceptualize and respond to the ongoing political events” (Carothers, 2002:6). Thus, “transitology” emerged as an academic field and, when the changes in Eastern Europe started in the late 1980s, American “democracy promoters extended this model as a universal paradigm for understanding democratization.” Carothers (2002) now suggests that it is time to dismiss this “transition paradigm,” which might have been of some use earlier, but which is not any more able to describe reality.

According to Carothers (2002:6 ff.) five “core assumptions” define the transition paradigm:

a) Any country moving away from dictatorial rule can be considered a country in transition toward democracy;

b) Democratization tends to unfold in a set sequence of stages; opening, breakthrough, and consolidation;

c) Elections are believed to be an absolutely essential ingredient in the transition process;

d) The paradigm does not consider underlying conditions in transitional countries, such as the economic level, political history, institutional legacies, ethnic makeup, sociocultural traditions or other “structural” features, to be major factors in either the onset or the outcome of the transition process;

e) The paradigm also assumes that the democratic transitions are being built on coherent, functioning states where only some institutions need to be redesigned.

Clearly, the transition process in Russia has run into problems on all these accounts. It is not obvious (even if this was assumed in the IIASA study of forest sector institutions) that the transition is really moving Russia toward democracy. (Doubts about this direction has, for instance, been expressed by Gerner et al., 1995.) While it seems that the Russian transition is unfolding in stages it is not quite clear which stages and how long the development is halted at a particular stage (see, for instance, Csaba, 1995). Elections have indeed been organized on many occasions already. The problem here rather concerns deficiencies in the emerging party system (too many parties with too few members and supporters) to articulate the needs and opinions of the electorate. After more than a decade of the Russian transition it is quite clear to observers that underlying conditions have played a decisive role and severely restricted the unfolding of the process. It has also become evident that a major problem in the Russian transition has been the very limited power of the state. This has to do with the fact that many comprehensive institutional changes have been attempted, although these changes have not
always (perhaps even rarely) produced intended results due to the “stickiness” of old patterns of behavior (again the so-called “path-dependence”).

As the transition in Eastern Europe evolved it became increasingly clear that the process took different roads in different countries and that development was to a significant degree determined by the “initial conditions” obtaining in the respective countries, including the existing institutional structure and political culture. Many analysts also emphasized that the kind of fundamental social changes that transition entails would take a long time to design and implement. The implementation, furthermore, requires a strong and well organized state power. This is not to say that some reforms that were advocated by the early “shock therapists,” like macro-economic stabilization, ought not to have been introduced and implemented quickly once the political decisions were taken. On the contrary, certain reforms require quick action. One such reform was the macro-economic stabilization undertaken at an early stage of the Russian transition.

The two basic ingredients of the macro-economic stabilization were price liberalization (that is, prices should be set free to be determined on markets reflecting supply and demand relations) and the enforcement of hard budget constraints for enterprises (meaning that the state should discontinue its practice of subsidizing unprofitable production, which, in practice, amounts to allowing enterprises to go bankrupt). These reforms were intended to produce an improvement in enterprise governance, making enterprise leaders adopt new and better rules to guide their behavior, a change which would make their behavior more similar to “western” management standards. It is, in principle, difficult to imagine how such reforms could be gradually introduced. And, indeed, these reforms were quickly introduced early on in the transition process. However, – and this was an unexpected development – the reforms triggered a spontaneous reaction in the Russian economy effectively forcing a large part of all Russian enterprises not to comply with the proposed changes, but rather maintain much of their behavior from the days of the Soviet command economy. The alternative would have been bankruptcy and social distress. This development moved a large part of the Russian enterprises into the so-called virtual economy.

The notion of the virtual economy has proved very fruitful in explaining enterprise behavior in Russia. It was also taken as a fundamental hypothesis about the structure and functioning of the Russian economy in the IIASA study of forest sector institutions. The virtual economy is in fact a name for a specific institutional configuration (an institutional set-up).

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14 In a recent review William Tompson (2002) concludes that while the Gaidar government made “its share of avoidable errors, and its successors made many more” (one mistake being their failure to find broad social support for the reforms) it is nevertheless hard to see how government could have adopted another strategy than it actually did. Williamson concludes: “In short, the Russian state in early 1992 was far too weak to pursue a “gradualist” approach. Unfortunately, it was also too weak to pursue radical policies effectively.”

15 One has to keep in mind that enterprises then still ran a variety of services for their employees, services that are provided by the public sector in most market economies (like housing, food supply, child care, schools, etc.) These services were subsequently transferred to the local administrations (for an account of this process see, e.g., Struyk, O’Leary and Dmitrieva, 1996; Freinkman and Starodubrovskaya, 1996; Healey, Leksin and Svetsov, 1999).

16 The virtual economy concept was originally introduced by a Russian government committee and subsequently picked up and elaborated by two American researchers, Clifford Gaddy and Barry W. Ickes, in their studies of the Russian economy in transition. The discussion here is based on a number of papers by Gaddy and Ickes (1998a, b; 1999a, b) and other authors discussing their theory (see, e.g., Phillips, 1999; Åslund, 1999; Ericson 1999; Slay, 1999; Chang, 1999; Woodruff, 1999; Gaddy et al., 2000; Carlsson, Lundgren & Olsson, 2001). Gaddy and Ickes have recently (2002) compiled a book based on the material that they issued earlier as journal articles, chapter contributions to edited volumes, working papers, and manuscripts available via Internet.
The theory of the virtual economy offers an explanation of the fact that much of the relations characterizing the Soviet economy can still survive in today’s Russia, although the system has changed fundamentally. In short, the virtual economy explains why so comparatively few Russian enterprises have gone bankrupt, although they would not be competitive if their performance were valued at true market prices. If prices for all goods and services in the economy were actually always set in the market, that is, through the interplay of supply and demand, it can be assumed that a large portion of Russian enterprises would be unprofitable. When price liberalization was instituted enterprises seemed forced to meet and respond to signals transferred through the market price system, but since this would “kill” a large number of enterprises unless very drastic efficiency improving measures were taken, a large portion of the existing enterprises chose to “insulate” themselves from the influence of the market price system and not let themselves be exposed to the severe competition that true market relations trigger. By reverting to barter trade at negotiated prices many Russian firms managed to stay alive (and keep their personnel) although what they produced and traded in this “virtual market” would not be possible to produce profitably if their input prices had been set in the market and their output (products) would have to be sold at prices reflecting market demand. Thus, through the virtual economy an inefficient resource allocation is being maintained in the economy, contributing to a continued economic “waste” of resources.

How come, then, that such an inefficient system could be established and maintained?

Efficiency is ultimately determined at the social level and, since the centrally planned system inherited by Russia from the Soviet Union had created an economy with a regional specialization that did not at all reflect demands as they are expressed in a market system, there were (and still are) whole regions, cities, and districts with a one-sided production structure that cannot be changed overnight. There are, for example, forest communities entirely based on one enterprise (a harvesting company or a wood processing factory), which might turn out to be entirely unprofitable if market based prices would be allowed to operate. That would mean the bankruptcy not just of a single enterprise, but of a whole community. If this development were wide-spread it would of course create a very serious (and dangerous) social problem. But by reverting to operating in the “virtual economy” these enterprises and communities have managed to stay alive for the time being. However, investments are insignificant in the virtual economy and when investments are actually made there is a high risk that resources are invested in the production of unprofitable (in the market sense) products. Thus, life in the virtual economy is non-viable in the long term if society is moving towards a market economy.

The real issue is how to create incentives that make enterprise owners and managers want to stop operating in the virtual economy and start to restructure enterprises’ production to become competitive in the (real) market sense. The issue is whether it is possible to somehow impose changes in the behavior of enterprises, their managers as well as their workers. Thus, changes are needed in the rules governing the behavior of economic actors. Such “rules-in-use” are in effect what we mean by institutions. Let us now turn to a discussion of institutional change in general and institutional change in the Russian forest sector in particular.

2.4 Institutional Change in the Russian Context

The Russian transition, which presumably is moving the country towards becoming a democratic market system, requires institutional change to make the rules of the game more conducive to economic efficiency. This is our point of departure. Transition is, in effect, social change brought about as a result of institutional change.
To clarify, once again, by “institutions” we mean “rules-in-use,” that is, rules that govern the behavior of actors in society. Such rules can be formalized through law or regulation (both private and public), but they may also be informal rules, i.e., rules that are adhered to although they have never been sanctioned by any collective decision (see, e.g., North, 1990). Thus, it should be noted that not all laws are institutions in the sense that they actually govern the behavior of actors. (There may be laws which no one obeys, that is, a law which is actually not in use, which is not an institution.) Examples of formal institutions in the Russian forest sector might include rules for allocating forest plots to forest users, harvesting rules, taxation rules (not all existing taxation rules, however). Examples of informal institutions might include the rule of advance payments, the rule that governs investment behavior and excludes bank loans, etc.

A prominent feature of the Russian transition (and also, for that matter, the transition in other East European countries) is the much debated and dubiously legitimate privatization of state owned enterprises. Here, we shall not go into any further details of this process. To us privatization serves as an illustration of institutional change. Through privatization the formal and informal rules regulating the use of economic resources were radically changed. “Property rights,” as such rules are commonly called, constitute fundamental institutions in any society. “Property” may designate any resource and the “property rights” regulate the relations between different resource users. The fact that property rights do not only regulate ownership rights is often forgotten. Property rights – and this is all the more important since we are here dealing with the Russian forests, which are (still) owned by the state – also regulate rights of access to the resources. The following table illustrates the more complex notion of property rights.

<table>
<thead>
<tr>
<th>Property</th>
<th>Owners</th>
<th>Proprietor</th>
<th>Claimant</th>
<th>Authorized user</th>
<th>Authorized entrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exclusion</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alienation</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ostrom, 1996

The table draws attention to the fact that other types of resource claimants than owners have a right to use the resource in various ways, except the right of alienation, i.e., the right to transfer the ownership of the resource to a buyer. Thus, in the context of our study of Russian forest resources, the table reminds us that, while the Forest Code stipulates that forest management units (the so-called leskhozy) as the representatives of the forest owner (the state) are not allowed to actually sell forest land to private companies or private citizens, there are, in fact, many other rights of access and use that they might (in principle) be able to decide about.

17 There is a huge literature discussing the Russian privatization, its intended scope and character as well as its results. See, for instance, Cox (1996) for the background of the Russian privatization; Sutela (1998) and Hedlund (2001) for the character of privatization; Perevalov, Gimadii & Dobrodei (2000) for the effects of privatization on enterprise performance; and Debardeleben (1999) for attitudes towards privatization in Russia. There are also some accounts of how privatization happened in Russia published by people who were deeply involved in the process (see, e.g., Boycko, Shleifer & Vishny, 1995 and Kokh, 1998) The legitimacy of the whole process has been seriously questioned and today court procedures are under way to rectify unlawful acquisitions.
The proclaimed ultimate purpose of privatization was to achieve better corporate governance, i.e., to install more efficient “rules-in-use” for enterprise management. Thus, one institutional change was expected to trigger another. Private ownership was expected to create a new middle class which embraced market economic thinking and worked to improve enterprise management. However, as it turned out, the reformed property rights did not remain stable and secure in Russia and the privatization process itself was in many cases manipulated illegitimately installing new owners and managers (often the former enterprise directors, so-called “insider privatization”) who primarily looked to their own short term interests and often stripped their enterprises of assets or brought them into the virtual economy pursuing goals that were suboptimal from a market economic point of view (see, e.g., Sprenger, 2002, for a recent analysis of the effects of privatization).

Barter trade (goods traded for goods, not for money) is another prominent institution in transitional Russia. Barter is actually what made the virtual economy possible. It is, in fact, the predominant characteristic of the virtual economy, much in the same way as money is the dominant institution in a market economy. The main problems with barter is that it makes transactions intransparent, which opens up opportunities for fraud. The provision of goods (or services) has also been de facto accepted as a means of payment by public authorities – enterprises’ tax payments may sometimes be made with products. This means that the state has been drawn into – and is, in effect, sanctioning – transactions in the virtual economy, the perhaps most serious consequences of which is that it undermines normal budgeting procedures.

As has been shown in previous studies (e.g., in the IIASA study, see Carlsson, Lundgren and Olsson, 2001) the rules governing the behavior of the Russian forest stakeholders are often intransparent, confusing, and contradictory creating an “institutional deadlock,” which makes consistent behavior difficult or impossible. Such a deadlock can only be resolved through changes of the system of rules governing actors’ behavior, i.e., by institutional change.

Given this insight our interest should focus on question like the following: How do institutions change? Obviously, institutions do change, but can institutions be changed by human fiat? Is it possible to modify existing institutions (rules-in-use)? Can new rules be designed and put in use? Who can (or wants to) make such institutional change happen?

Clearly, formal institutions (rules sanctioned by law or other public or private regulation) is amenable to change through various forms of collective decisions. While it is quite possible to design and decide about new rules to govern the behavior of all or specific actors in the social system, implementing such rules is another matter. Rules are obeyed either because compliance is achieved through some enforcement mechanism (in the case of laws through the work of the police and courts) or because the norms expressed by the formal rules are internalized by the actors, who then try to obey the rules on their own accord. (Some kind of monitoring and enforcement mechanism is still necessary since probably not all actors will obey the rules, but “internalization” is nevertheless likely to reduce the need of “formal” rule

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18 As in the case of privatization, a lot has also been written about barter trade. Barter features prominently in the works by Clifford Gaddy and Barry W. Ickes, who launched the theory of the virtual economy (cf. footnote 21 above). Other recent studies of the barter phenomenon include Woodruff (1999); Guriev and Ickes (2000); Yakovlev (2000); and Gara (2001).

19 An example: In Chelyabinsk some construction companies offered to build an underground railway system in the city instead of paying their taxes with money. As reported in IEWS Russian Regional Report, Vol. 3, No. 13, 2 April 1998, the project was actually started. When accepting such an offer a significant part of the local budget (money) income is immediately withdrawn, thus preventing the city to provide other services that might be more in demand.)
enforcement.) The lesson is that institutional design (the design of formal rules) works best in an environment where actors find the procedures through which new rules or changes in existing rules are elaborated to be legitimate, i.e., in situations characterized by a some degree of social trust.\(^{20}\)

But this is not the complete picture. We also have to consider informal institutions, i.e., rules that have emerged and are obeyed – and enforced – without ever having been sanctioned by any formal collective decisions. How do such rules come to exist, how do they change, can they be purposefully manipulated by the actors in the system? Informal institutions are slowly formed under strong cultural influence, which means that they are not easy to affect and change. They are in fact, as North (1990) has pointed out, an important source of path dependence, making actors stick to old patterns of behavior in the face of changes in their environment that would require new responses to better be accommodated.

Institutions (both formal and informal) do change, however. They may, for instance, change as a consequence of external shock (major events like wars or technological changes that radically alter opportunities in economic systems, etc.) or they may rather more slowly emanate “autonomously” from within the institutional framework itself (for instance through changed behavior in organizations entrusted with monitoring rule compliance, decisions taken by governments to change formal rules, etc.). However, as suggested by Raiser (1997:11) there is also another avenue available for governments to achieve institutional change:

… governments can attempt to influence positively the interaction between formal and informal institutions by engaging civil society in a policy dialogue. However, this will depend on the given level of trust in government and its formal institutions. When social capital is low, the government’s best chance is to enhance its credibility through signaling reform commitment and hoping that real economic improvements will in time feed back into a higher level of social trust.

This view also recognizes that “spontaneously” changing informal institutions may exert an influence on the design and implementation of formal institutions. Using such “policy dialogues” that Raiser is talking about in the citation above requires that participants trust that deliberations will be free and that the outcomes of these deliberations will mean something, that they will be taken into account, in the process of forming new policies (installing new formal institutions). A prerequisite is that state power is strong enough to guarantee a certain political stability that makes it worthwhile for actors to engage in policy processes. One of the problems with the Russian transition process has been that the state (at least until recently) has not been strong enough to preserve other than moderate stability.\(^{21}\) A crucial task for the state in a transition country is to try to increase social trust by modifying incentive structures so that actors move towards changing the rules governing their behavior in a direction that will improve economic efficiency. Raiser et al., (2001) have presented some empirical evidence indicating that changes in the “social capital” in transition countries are indeed happening. Some evidence was found that trust in public institutions is positively correlated

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\(^{20}\) The importance of social trust (or generalized or “extended” trust in contrast to “interpersonal” or “ascriptive” trust) for changes of formal institutions in the context of transition, see, e.g., Raiser (1999). In the IIASA study the establishment of trust in the Russian forest sector was discussed by Fell (1999).

\(^{21}\) This was true for the Russian transition period at least until Putin’s presidency. It seems that Putin after less than three years in power has managed to stabilize state power to the point where western observers become cautious. Thus, for instance, M. Steven Fish (2001) warns: “Putin’s path may lead directly to hard authoritarianism. Yet it is also possible that some aspects of it will – even if inadvertently – spur a resumption of democratization. In whichever direction it leads, Russians are to a large extent getting what they want.” The importance of the role and function of the state during transition has been increasingly noted in the literature. See, e.g., Alexander, 1998; Solnick, 1998.
with “civic participation.” The authors conclude with the following policy recommendations (p. 27):

The negative correlation between income inequality and social capital that had evolved by the mid-1990s suggests that policies aimed at reducing high levels of income inequality could be important in a strategy of increasing trust in others and in public institutions. ... Finally, ..., based on the success of East Asia, the ways for governments to build trust in public institutions are by offering a dialogue to members of the public and consulting over important policy changes. Low trust in public institutions is one of the predicaments politics in transition countries are faced with. But it is a predicament politics can deal with at least in many important respects.

2.5 Democracy, Democratization and Trust-building Policy-Making

The “transitology” literature is being criticized for its teleological assumption that the transition is pushing society along a trajectory towards democracy, rather than towards something else. Today, after close to twelve years of transition, issues of the character of the emerging Russian political system can be put in some perspective. And, as it turns out, the issues raised are highly pertinent.

“Overall,” claims Brown (2001), “the system is a hybrid – a mixture of arbitrariness, kleptocracy, and democracy.” Solnick (1999) reminds us that when Gorbachev in 1991 rejected central planning without adopting a liberalized market an unprecedented economic recession started. Such extreme conditions might have left the field open for the government to install new institutions on a large scale. However, the development also gave the transition “a highly improvisational character.” Actors had difficulties in perceiving their own interests or their own strength. But, surprisingly, while institutions crumbled there was a “striking continuity in the composition of the ruling elite.” The privatization process and the “loans-for-shares” scheme of 1995 concentrated enormous economic resources in the hands of a few so-called “oligarchs”\(^22\) and it is now a matter of contention how much influence these oligarchs really exert over Russian political life. While the oligarchs clearly affected events in connection with the “loan-for-shares” scheme and Yeltsin’s reelection in 1996, it seems that today their direct influence on political events is more limited (cf. Schröder, 1999).

But the problem for democracy might rather lie at the “systemic level.” Russia can be seen as an “oligarchy,” where the “rule of the few” is maintained through a balance of power – a stalemate – between the oligarchs making sure that no single oligarch can obtain a decisive influence over the economy, but also preventing the state to consolidate its power at the national level. It suits the oligarchs to have a weak state power.\(^23\)

Another interpretation of the system emerging from the Russian transition takes its departure in the center-periphery relations, in the relations between the Federation and the “Subjects of the Federation,” or the regions. Several observers have suggested that the Russian system might be characterized as a form of feudalism!\(^24\) It is noteworthy that the federal government has not been able to enforce federal laws within the country’s 89 regions. Solnick (1999:811)

\(^22\) “Russia’s Big Seven” as the oligarchs’ financial groups (FIGs) are referred to, were briefly presented in the World Bank newsletter “Transition” (February 1998).

\(^23\) This notion of Russia as an oligarchy is related to what Brown (2001) called “kleptocracy.” The way events unfolded and the relation between the presidential power and the oligarchs produced the arbitrariness (the “improvisational” character) of the Russian transition. It is also related to the notion of a “privatized state,” as the issue has been raised by, e.g., Schröder (1999).

\(^24\) Ericson (2000) has suggested an “industrial feudalism” and Shlapentokh (1996) sees parallels to feudal societies in the early Middle Ages. Here we follow Solnick (1999) who suggests that “the feudalistic model turns on its head some of the basic assertions of modern political economy of federalism.”
finds that the “regional leaders share the national oligarchs’ need for a federal government to preserve the integrity of the Russian state … but they also share the oligarchs’ preference for that federal government to remain anemic.” He continues:

Thus, as with the oligarchy model, the feudal system exhibits powerful equilibrium characteristics: the central government is too weak to effectively define its sphere of competence, and those regional leaders whose consent is most crucial to a re-establishment of effective federal authority are precisely the ones with the most to lose from having a central government able to play the role of neutral arbiter.

Which ever of the two “models” outlined above it is that best describes the current Russian system the implications for democracy are worrying. The models suggest that fundamental institutional deadlocks (at the constitutional and collective choice levels) need to be resolved if the state should be able consolidate and exert a power comparable to what is normally in the hands of governments in modern democracies. If these deadlocks, which are keeping the central state weak, cannot be resolved the consolidation of democracy may even become irrelevant. With the entrenchment of elite powers (both oligarchial and regional), which allows members of the elite to engage in rent-seeking, practically all incentives for further democratization have been removed (Solnick, 1999:813):

The coincidence of political transition with property re-distribution, a distinctive feature of the Russian transition, created strong incentives for elites to secure their own share of the transitional spoils. Once they did this, the process of “democratic” institution-building was subordinated to their desire to protect the property and power already accumulated.

In practice, this meant ensuring that central state institutions were defanged, and once weakened these institutions found it impossible to enforce the regulations (including tax collection) that would revive them. Russia thus fell into a classic weak state trap (the fate of Italy comes to mind here). The state lacked the resources it needed to even acquire the resources that would make it effective.

Even in this somewhat gloomy perspective Solnick claims that “an oligarchic or feudalistic balance of power with electoral contestation is not entirely the same as a similar elite balance without it.” The discussion so far has primarily dealt with the somewhat limited notion of democracy that sometimes is called “electoral democracy,” which basically sees democracy as a move from authoritarianism combined with the introduction of popular elections. However, if we consider the more advanced notion of “liberal democracy,” which apart from the qualities embraced by “electoral democracy” also emphasizes other qualities in society allowing citizens to take an active part in governance, the prospects for democracy in Russia may perhaps not necessarily look that bleak. Qualities belonging to the so-called civil society have been found to be of special importance in this respect. Ever since Robert Putnam’s (1993) study of civic traditions in modern Italy a rapidly expanding political science research all over the world has focused on people’s opportunities to engage in all sorts of organizations for collective action. Research on Russian civil society is nowadays also expanding.

On the surface, judging from membership numbers, civil society in the Soviet Union was well developed and strong, the prime example of such organizations being trade unions. But since all organized civil activity was controlled by the Communist Party the real influence that members of such organizations might have had on political decisions was very limited, in effect a choice between supporting existing proposals or staying quietly passive. Expectations have been high for a rapid revitalization of the Russian civil society during the transition period. A vital civil society is believed to help mobilize and focus citizens’ interests and ultimately be conducive to a positive democratic development.

Recent studies indicate that, while the most optimistic expectations for a revitalization of Russia’s civil society have not been met, the situation nonetheless gives some ground for optimism. Howard (2002) finds that postcommunist civil society is characterized by
comparatively low levels of organizational membership. He explains the low participation levels by three factors originating in these countries’ communist past. Mistrust of the old communist organizations still makes “large majorities of citizens throughout Europe continue to have a common sense of mistrust of organizations today.” The second reason that Howard finds is related to the persistence of friendship networks established under communism. Such networks still substitute for civil society organizations. A third reason is what Howard calls “postcommunist disappointment,” that is, people’s feeling that “they have been let down, even cheated, by the new system that quickly replaced the old one.” Howard sees the weakness of civil society as a “distinctive feature of postcommunist democracy” and he fears that the situation might persist for many decades to come. The main problem with the current situation is that (Howard, 2002:165) “not only are postcommunist citizens deprived of the opportunities for developing greater “civic skills” through participation in voluntary organizations, but their voices and views are hardly represented in the political decision-making process.” Speculating about what can happen over the next few decades Howard sees two main ways through which postcommunist civil society might be strengthened: “generational change” and a “reappraisal of the role of the state and its relation to voluntary organizations.”

March (2000) in his review of social capital and democracy in Russia comes to a somewhat more positive conclusion concerning the existence of a “social capital stock” in Russia and the relationship between social capital and democracy in the Russian regions. In Putnam’s vein March develops a “civic community index” which he then correlates with an “index of democratization” calculated for the Russian regions. The results of March’s calculations indicate that (p. 196) “social capital exists in many regions of Russia” and that “higher levels of social capital associate with higher levels of democracy.” March’s conclusion is that “it appears that social capital is not only beneficial in making democratic governments more effective and efficient, which Putnam’s study of Italy shows, but that social capital can actually facilitate the democratic development of post-Communist societies.”

In a recently published study of political discourses across thirteen post-communist countries Dryzek and Holmes (2002:94) characterize Russia as “a stalled or halted transition” due to the fact that at the time of the study (1997–8) “its major political players were only weakly committed to pursuing their ends through constitutional means, as distinct from trying to manipulate constitutional structures to their own advantage.” However, when analyzing interviews conducted in 1997 with individuals in six Russian regions Dryzek and Holmes are able to identify (through the use of Q-analysis) three political discourses, which they label “Chastened Democracy,” “Reactionary Anti-Liberalism,” and “Authoritarian Development.” In their “minimalistic” analysis the authors find that all three discourses (which are taken to represent three fundamental and different “political attitudes” prevailing among Russia’s citizens) make it possible to envisage a future that is more democratic than the present. In such a future the presidency would be strong without being authoritarian, rather adopting a “facilitating” role. It is argued that such a development is in principle feasible in Putin’s Russia, that the presidency does not necessarily have to end up in dictatorship. All three discourses also “recognize and lament alienation, a breakdown in trust, and the absence of civic engagement” (Dryzek & Holmes, 2002:112). This is taken as proof of the existence of some common political ground on which consensus for policies to remedy these negative features may be built. The authors’ conclusion is (2002:112):

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Acknowledging that the situation in Russia has been chaotic and depressing is quite different from arguing that this means the future of democracy in that country is doomed. A dynamic, strong new presidency might just make a significant difference in a relatively short time, especially if Putin’s commitment to the “dictatorship of law” really translates into the rule of law rather than rule by the coercive agencies of the state.

Finally, to conclude this summary of findings that indicate that democracy is amenable to improvements through the development of civil society, let us look at the results of a study by Mishler and Rose (2001), who have found that “institutional theories” do a better job than competing “cultural theories” in explaining the development of trust in post-communist societies. While cultural theories assume that trust is “an emergent property linked to basic forms of social relations,” that is, as something exogenous to the political process, institutional theories, on the other hand, look upon trust as “rational responses by individuals to the performance of institutions.” Testing two hypotheses about trust based on cultural theory and two based on institutional theory by using data generated in 1998 through the fifth and seventh “New Democracies Barometer” the authors received results strongly supporting institutional explanations of trust. “Trust or distrust in political institutions is substantially endogenous and largely determined by the political and economic performance of new democracies” (Mishler & Rose, 2001:55). And indicating some important policy implications they conclude (p. 56):

Insofar as institutional performance holds the key to developing trust in political institutions, then trust can be built more surely and swiftly than the decades or generations suggested by cultural theories. Trust can be nurtured by improving the conduct and performance of political institutions. Governments can generate public trust the old-fashioned way: They can earn it by responding promptly and effectively to public priorities, rooting out corrupt practices, and protecting new freedoms. … Ultimately, the character and performance of trustworthy institutions can generate trust just as the performance of the old untrustworthy institutions generated skepticism and distrust.

In conclusion, here we take the findings of the research referred above to support our understanding of the following “causality chain:”

1) trust can be generated through institutional change;
2) institutional change can be achieved through the development of civil society; and
3) civil society can be advanced through purposeful interventions (including financial and other support) by (representatives of) the state and through “autonomous” initiatives from within civil organizations.

Taken together the reasoning in this section of the paper provides a basis for the systemic intervention attempted by IIASA through its policy exercises with Russian regional forest stakeholders. Before going over to an account of the Tomsk policy exercise we should, however, first briefly review the approach and results of IIASA’s study of the institutional problems besetting the forest sector in Tomsk.

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26 See the presentation given of the “New Democracies Barometer” on the Internet site of the University of Strathclyde’s Centre for the Study of Public Policy at URL: http://www.cspp.strath.ac.uk.
3. THE CASE STUDY OF THE FOREST SECTOR INSTITUTIONS IN TOMSK

3.1 The Framework for Institutional Analysis Employed in the IIASA Study

As already mentioned, the IIASA study, on which this paper is partly based, used the so-called Institutional Analysis and Development (IAD) framework developed by Elinor Ostrom and associates as a guide for the study design. The framework suggests certain features that condition the behavior of actors in the system, i.e., factors that affect the adoption of certain institutions (“rules-in-use”). The focus of the IAD framework lies on what happens in the “action arena” (cf. Figure 1 below). In our case the action arena was the timber procurement in eight Russian regions and the study focused on actors’ behavior on these action arenas. However, the IAD framework also insists on the importance of the embedding of this action arena, on features in the environment conditioning or constraining the behavior of the actors in the arena. Such features include the physical characteristics of the resource, the commodity or service in question, the attributes of the community and the “rules-in-use” (i.e. institutions) governing the behavior of the actors. What emerges on the action arena is a specific pattern of interaction entailing certain outcomes. These outcomes must be evaluated according to some criteria. One can presumably look upon this framework as a stylized model of an actual interaction situation, in which case the evaluation is “automatically” made by the actors in the system themselves. But one can also look upon it as a description of a study design (and this was actually the way it was used in the IIASA study), in which case the evaluation is performed by some outside analyst studying the identified system.

![Institutional analysis of the Russian forest sector](image)

**Figure 1**: The Institutional Analysis and Development (IAD) framework used in the case studies of institutional embedding of the regional Russian forest sector (after Ostrom et al., 1994:37).

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27 The IAD framework has been used in numerous studies of resource management around the world. Good overviews of the approach are given, for instance, in Ostrom et al., 1994; Ostrom, 1995.
The very reason for engaging in the study of these phenomena has to do with the fact that the Russian forest sector is extremely inefficient. Thus, actors’ behavior produces suboptimal economic outcomes. Changes of the rules governing actors’ behavior should therefore be high on the agenda. And, indeed, it has already since long been high on forest sector stakeholders’ agenda and it is just becoming a high priority item on the federal political agenda (see, e.g., Clark, 2002).

The forest sector institutions identified through the IIASA study were both formal and informal. Information about rule compliance was compiled through a series of interviews with forest enterprise managers. The conclusions reached in the IIASA study largely concern what institutional changes would be required in the forest sector in order to improve its functioning in the emerging market economy. Recommendations were given of measures to change rules at three different levels: the constitutional level, the collective choice level and the operational choice level (Carlsson, Lundgren & Olsson, 2001). In the current stage of the Russian transition, where the state is (still) fairly weak, where there is a huge and mostly very inefficient forest sector (which was dominating the economy in some of our case study regions), where forest stakeholders no longer trust that the “traditional” forest organizations (which, even if reformed, are remnants from the old Soviet command economy) should be capable of improving the situation, there seems to be a timely opportunity to engage a broad circle of regional forest stakeholders in a collaborative effort to develop new forest policies. Some kind of “participatory policy process” seems to be a suitable vehicle for such an effort (Stiglitz, 1998b).

In the next section of this paper we will have a closer look at the policy exercise conducted by IIASA in the region of Tomsk. The remainder of Section 3 gives a background to the exercise through a presentation of the main results of the earlier IIASA case study of the institutional problems afflicting the Tomsk forest sector. Section 4 gives an account of the performance and outcome of the subsequent Tomsk policy exercise.

### 3.2 Overview of the Institutional Problems in the Tomsk Forest Sector

As has already been mentioned above, the study of forest sector institutions in Tomsk was the first in the series of eight case studies performed by the IIASA team. It was completed before the data compilation for the remaining seven regions was even finished. This limited the analysis of the data. No comparisons with the situation in other regions could be made. Especially the analysis of the enterprise interview data suffered from this fact. Consequently, the results of the Tomsk study (cf. Carlsson and Olsson, 1998; Carlsson, Lundgren and Olsson, 1999) are significantly less specific and elaborated compared to what was possible to achieve in subsequent case studies.

However, it can be noted that already in the Tomsk study we could clearly see certain general tendencies that were further corroborated by the later case studies. In the Tomsk case study reports we identified a number of institutional problems and shortcomings in the regional forest sector.

Tomsk Oblast’ was one of the “heavy” forest regions in the Soviet command economy. Huge volumes of wood were harvested from a resource base that seemed inexhaustible. As in many other Soviet regions, clear-cutting of large accessible areas was the standard mode of harvesting leading to an inheritance – a legacy of overuse\(^ {28} \) – the negative consequences of which today’s forest managers and industrialists are faced with and must overcome. In the command economy, overuse of natural resources was not a major item on the political

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\(^{28}\) The term was coined in a World Bank position analysis from 1997 (World Bank, 1997).
agenda. The problem facing forest enterprise managers in those days was mainly how to make production output in their respective plants meet the required plan goals.

A number of problems, more or less closely related to this legacy of overuse, still hampering the functioning of the Tomsk forest sector today were identified in our study. While, for instance, most Tomsk forest industries had already been privatized, the people managing the enterprises were basically the same people as those who had previously worked as directors in the state owned companies. Most forest sector “officials”, i.e., leading forest managers, individuals working in the forest department of the regional administration, etc., were also coming directly from the old state governed forest sector administrations.

It is therefore hardly surprising that, when these actors tried to cope with the mounting problems facing the Tomsk forest sector, they would attempt to solve the problems in the same manner as they were accustomed in the old Soviet command economy. In this system there was an officially sanctioned “pretence” that everyone, irrespective of their position and role in the economy, had the same interests and were aiming towards the same goals. These managers and officials found it natural to seek solutions to the problems through the creation of joint (corporatist) organizations, where all (traditional) forest stakeholders were expected to join. The ideal seemed to be to make everyone agree on a series of measures required in order to improve the situation for the Tomsk forest sector. What is forgotten in this scheme is the fact that by trying to unite all stakeholders the only things about which total agreement could actually be reached were largely empty “slogans” on future production targets and expressions of various needs that must be satisfied in order to improve the competitiveness in the sector. No real commitments to implement this “wishful thinking” could be reliably made, since no one was in a position to actually do anything about it. Most of these activities simply led to and remained words on paper.

Another inheritance from Soviet times creating significant problems today is the structure of the forest industry. For instance, in Tomsk there were never any pulp and paper factories. The region mainly had harvesting, some sawmilling and some further processing plants (like the Tomsk pencil factory, based on the availability of Siberian cedar wood). Thus, the region was mainly a raw material provider for industries in other parts of the Soviet Union, to which the wood products were hauled on railroads over very long distances. (Long transport distances were not considered an obstacle in Soviet times. Transport work was considered “productive”, and simply contributed to the value of the products.) The regional specialization that emerged in the country due to its command economy left some regions with a monocultural economy, which creates serious obstacles for the transition to a modern market system that is officially aimed for today.

For example, in Tomsk, 12 of 16 municipalities are entirely dependent on only one wood processing factory or harvesting company for their existence. Many of these monocultural towns and settlements are situated far away from the regional capital and the production of the single “community forming” enterprise is often unprofitable. One should probably see the emergence of the so-called virtual economy (cf. Section 3.1 above) as an answer to society’s needs to avoid the major social problem that would arise if too many companies were closed down in a short time because they could not meet the efficiency demands of the market.

The problem that must be solved, if the Russian economy is ever going to break out of the virtual economy, has to do with incentives. How can the incentive structure in society be changed to make actors choose to operate inside the emerging market economy rather than
staying in the “primitivizing” virtual economy? This was actually one of our underlying questions in the Tomsk policy exercise and some suggestions on what is required to achieve this improved incentive structure was given at the end of the case study reports. (These recommendations are listed below.)

The level of education is a feature of the community (cf. Figure 1) that is of great importance for economic development. In Tomsk, where there are no less than six universities today, the general educational level in the population can be assumed to be relatively high. Through our interview study we know, however, that the regional forest enterprises call for educational reforms, there is especially a need for modern business management training and, on another level, training of competent personnel to operate modern harvesting and processing equipment. New forest education and training establishments have been created in the last few years, but their ability to attract young people is severely hampered by the very low wage level offered by enterprises in the regional forest sector. Qualified labor tends to go to other sectors in the economy offering better working conditions.

Several other features that together cause an “institutional deadlock” in the Tomsk forest sector were discussed in the case study reports. So, for instance, it was noticed that reminiscences of the Soviet forest industrial branch organization still exert influence on the forest management system, where old-fashioned and complicated rules for forest regeneration, management, harvesting, and forest leasing contribute to the low efficiency.

Among the problems related to the organization of the Tomsk forest sector, it was specifically noted that the national cedar ban of 1989 – forbidding all harvesting of cedar in forest stands with more than 25% of cedar – has led to a situation where there are huge areas of dead or dying cedar stands, while at the same time there are no secondary stands. The cedar ban, which was imposed on the region from the federal level, is an illustration of problems with an institutional framework unable to adjust to local circumstances.30 Many actors mention the lack of coordination of the forest sector as crucial among the problems that have been created and might be possible to solve on the regional level. The Tomsk forest program (Tomsk Oblast, 1997:22) claims that the hasty and (practically) all-encompassing privatization that took place in the forest sector – a sector which is said to have been characterized by “state subsidized planned unprofitability” – resulted in a “loss of administrative management levers.” The privatization led to a situation where suddenly there was no organized coordination available to guide or direct individual companies like there used to be in the Soviet era. The Union of Forest Industrialists was established in 1995 in response to this “coordination void”.

### 3.3 Recommendations Made in the Tomsk Case Study

On the basis of the wide spectrum of problems that was discussed in the Tomsk case study reports and the conclusions drawn from the analysis of those problems, a number of recommendations could be formulated indicating possible ways to improve the functioning of the regional forest sector through changes in the institutional framework.

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29 Michael Ellman (2000) has characterized the structural change in the Russian economy (leading to the type of system that Gaddy and Ickes and others have labeled the “virtual economy”) as an “undesirable process of primitivization.”

30 The whole history of the attempts to stop the devastation of Russia’s cedar forests is a story of political administrative failure and a demonstration of the shortcomings of centralized planning. This issue is described in detail in Sheingauz et al. (1995:19–20). See also Obersteiner (1997:10 ff.).
It should also be noted that the forest stakeholders in Tomsk had already started activities and made some specific suggestions aimed at restructuring the regional forest sector in order to make it more efficient. Many of the efforts made by regional authorities and others are positive and important. For example, the development of higher forestry education is one important step that has recently been taken. The reorganization (in 1998) of the Union of Forest Industrialists, formally separating it more clearly from the state, is an example of another serious effort to meet the existing problems. The analyses made in the Tomsk Oblast forest program can also be regarded as a good foundation for further developments.

One problem with many of the proposed measures for improving the situation is that they presuppose the existence of an already well functioning institutional framework. This is the crucial problem. In order to improve the functioning of the institutional framework the following principles were suggested in our case study report (Carlsson and Olsson, 1998). These suggestions mainly concern the public sector and civil society in general:

- The overall task of political authorities in Tomsk should be to minimize or eliminate political risks as a means of achieving economic growth. This duty has an array of consequences.
- Regional authorities and others should promote institutional stability and, thus, transparency of rules, which will subsequently increase predictability.
- Rules should be simplified and contradictions between various rules should, if possible, be eliminated.
- When rules are in a flux domains of uncertainty might be occupied by deliberate decision making. Regional authorities should try to advance their sphere of influence relative to the center (Moscow). All possibilities should be explored in order to find regional and local options for a sustainable forest management.
- Together with other actors regional authorities should develop programs in order to stop the deterioration of education and to increase competence in the forest sector.
- The activities of independent actors should be encouraged and supported, thereby countereacting a further bureaucratization of the forest sector. The guiding principle should be a conscious promotion of actors who benefit from the existence of an open and transparent system of rules rather than from obscure informalities or even corruption. For example, programs deliberately aimed at stimulating the establishment and development of small and medium sized enterprises should be constructed, provision of economic guarantees should be considered as well as economic support of entrepreneurship.
- All private actors in the forest sector as well as the regional authorities must find ways of releasing industries from their social commitments. For example, the privatization of apartments should be increased and supported. The present situation is definitely a serious obstacle for attracting foreign investments.
- Finally, all concerned parties should try to find economic support for deliberate programs aimed at renovating apartment houses and public buildings. As a side effect, this will increase the regional demand of forest products. In cooperation with federal authorities, representatives from the oblast should try to make the preservation of unique areas of Siberian log houses in Tomsk a concern for the international community. Contacts with international organizations, such as UNESCO, should be initiated.
When the analysis of the enterprise interview data was finished, some concluding thoughts about the problems in the Tomsk private enterprise sector were presented in a separate IIASA report. The reader is referred to Carlsson, Lundgren, and Olsson (1999) for the results of this study.

The thoughts and suggestions presented in IIASA’s two reports on the situation in the Tomsk forest sector should of course be further discussed and analyzed by the citizens in the region and by the regional forest stakeholders. One of the main goals for the policy exercise that IIASA conducted in Tomsk in June 2000 was to stimulate stakeholder initiatives in this area.

4. THE POLICY EXERCISE IN TOMSK

4.1 Participatory Policy Formulation in the Russian Forest Sector

Since transition did not often bring about a change of (or in) the people in charge of important social functions, such as, in our case, Russian forest managers and forest users, reform measures proposed by such circles are sure to be viewed with suspicion not only by the general public, but also by the new emerging group of business managers with a modern outlook and (often western) economic training. Efforts to reform the Russian forest policy through participatory processes engaging broader stakeholder groups (business managers, politicians, citizen initiative groups, etc.) should therefore be both welcome for its democratic content and efficient in the sense that it would stimulate profound institutional changes.

There are a number of problems that have to be overcome in order to allow participatory approaches to improve the situation in the forest sector. The most obvious problem – and perhaps the most fundamental obstacle for the successful implementation of participatory policy formulation methods – is the historical legacy from Soviet times that is still today manifesting itself in a specific mind-set or mentality making people refrain from political activity and leave public policy decisions in the hands of (often incompetent and dubiously legitimate) public and private “decision-makers” (cf. Howard, 2002).

Finding a specific form for stakeholder participation in forest policy formulation suitable for the situation in the Russian regional forest sector is another difficult problem to solve. In Russia, with its limited prior experience of democratic processes and the relatively little impact of transition so far, there is not much to build this kind of participatory policy approach upon. Under the existing circumstances the only possible way of achieving a practical result seems to be to ask the existing power structures (the political “establishment” and official forest agencies) for sanction and support in testing methods for stakeholder participation in the formulation of modern regional forest policies. Their rationale for providing such sanction and support would be their need (without knowing how) to make changes happen that would improve the situation in the forest sector.

IIASA has a fairly long experience in developing and using participatory approaches in policy making. The “policy exercise” concept was, in fact, developed in a large IIASA project called “The Sustainable Development of the Biosphere” during the beginning of the 1980s. Garry Brewer (1986) proposed the use of a kind of “free-form, manual games” that he labeled “policy exercises” to engage broad layers of the population in the development of policies to cope with the emerging serious global environmental problems.31 In the second half of the

31 In a comment to Brewer’s article, Nick Sonntag (1986) noted that the policy exercise concept proposed by Brewer had its closely related precursor in the so-called Adaptive Environmental Assessment and Management (AEAM) methodology developed 10 years earlier by a team lead by C.S. Holling (cf. Holling, 1978).
1980s, Ferenc Toth and his co-workers further developed Garry Brewer’s policy exercise concept at IIASA (Toth, 1988a, b).

Based on earlier work at IIASA, the Forestry Project further elaborated the concept of policy exercises and tested the approach in a run of five exercises for different categories of participants (Duinker et al., 1993). Here, a number of useful insights in the workings of policy exercises were gained.

Since this time, a number of projects at IIASA have worked on the further elaboration of the policy exercise or employed the approach (or similar designs) to disseminate the results of their research and to engage stakeholders in continued research or policy oriented activities (see, e.g., Najam, 1995; Parson, 1996; Franz, 1997; Gluck et al., 2000).

4.2 Current Conceptualization of a IIASA Policy Exercise

Before looking at the implementation and outcome of the policy exercise that IIASA’s Forestry Project organized in Tomsk in June 2000, we should summarize the current understanding in the project of what characterizes a policy exercise for Russian forest stakeholders. This conceptualization is a result of previous experiences at IIASA and reflections upon recent experiences with participatory policy formulation approaches elsewhere.

The policy exercise can be seen as a tool for disseminating the results of the research conducted at the institute to problem stakeholders, i.e., people and organizations who are affected by the results of the research and for whom it should be of most concern. Such exercises might also be used to open a discussion and a continuous dialogue with these stakeholders about the results of the research and its policy implications. Thus, the policy exercise can be seen as a tool that might be used in a participatory policy formulation process.

To the group of forest sector stakeholders belong, for instance, executives in the forest sector, politicians, businessmen, representatives of environmental and other public organizations with an interest in the regional forest sector, etc.

The general objectives of a IIASA policy exercise for forest sector stakeholders are:

1. To foster communication and mutual learning through effective face-to-face communication (confrontation);
2. To synthesize policy-relevant and useful information through the integration of disparate sets of formal and informal knowledge; and
3. To identify policies for alternative and plausible futures.

A policy exercise might be a relatively long event, lasting for months, even years. IIASA’s engagement in such a process should be limited to a (small) number of well-defined interventions in the form of policy exercise workshops. In these workshops the results of the research performed by the institute is reported to the workshop participants, who are then challenged to identify the general issues and specific problems that they find particularly important to solve in order to improve the functioning of the forest sector in their region. It is important for the outcome of the workshop that an atmosphere is created in which different stakeholders could freely present their views on the problems and suggest solutions.

The results of IIASA’s initiative to organize a policy exercise with stakeholders in the Russian forest sector are of course contingent upon the sanction and support that the initiative receives both from the regional authorities and from the forest stakeholders themselves (the legitimacy of the initiative). Ideally, the initial policy exercise workshop would result in a continued orderly discussion among the regional stakeholders after the first IIASA-led
workshop is over. Such a discussion might, for instance, be conducted in permanent working groups formed with the purpose to develop a modern regional forest policy. The IIASA team would then only monitor the work and, when necessary, interact with the working groups until their work was self-sustaining.

4.3 Preparation for the Tomsk Policy Exercise

4.3.1 IIASA’s Provisions and Requirements

IIASA’s initiative to conduct a policy exercise with forest sector stakeholders in the region of Tomsk was brought to the attention of the Head of the Tomsk regional administration (Governor Viktor M. Kress) during a visit to Tomsk by the leader of the IIASA Forestry Project (Prof. Sten Nilsson). Through a decree (No. 373-r dated 10 September 1999) the governor subsequently gave his official sanction to the plans for the IIASA policy exercise. After further deliberations the time for the (first) IIASA policy exercise workshop was eventually set to June 14–16, 2000.

A local workshop organizer was identified in the early spring of 2000. The invited person (Prof. Vladislav N. Vorob’ev, Director of the Institute of Forestry belonging to the Siberian Branch of the Russian Academy of Sciences), accepted the offer and agreed to implement the instructions relating to the design of the workshop that were issued by the IIASA group. In these instructions IIASA stated its principal objectives regarding the program and participants in the workshop. It was recommended that some 40–70 people be invited in order to get a total of 25–50 workshop participants. Invitations to the event were to be sent to top managers of regional forest industrial enterprises, leading personnel in the regional forest management (including chief foresters of the leskhozy in the region), officials in the regional administration responsible for forestry and the forest industry as well as representatives of regional environmental non-governmental organizations (NGOs). Later the local organizer proposed additional regional stakeholders to invite. Invitation letters were sent out after prior agreement with the IIASA group. IIASA also sent invitations to a number of officials working with forestry and forest industry issues at the federal level (in Moscow).

The practical requirements for the meeting that IIASA set up were simple and straightforward – a large meeting room for the initial and final plenary sessions, four smaller meeting rooms for group sessions, computer and copying facilities should be readily available. Two well-qualified interpreters (for ‘sequential’ interpretation) were required for the plenary sessions. Discussions in the group sessions were to be held in Russian without interpretation so as to not inhibit an efficient exchange of opinions. (The idea was that some members of the IIASA group with native or acquired ability in Russian were supposed to sit in during the group sessions as observers.)

IIASA decided to externally recruit a person to serve as “facilitator” of the workshop. The offer went to a former IIASA research scholar (Prof. Peter Duinker, Head of the School for Resources and Environmental Studies at Dalhousie University, Canada) with extensive experiences in conducting policy exercises, both during his period at IIASA (cf., Duinker et al., 1993) and in his work in Canada.

Using an “external” facilitator seemed appropriate considering the fact that the whole event was initiated from an “outside” organization (IIASA), and that the policy exercise concept was new and largely unknown to the regional forest stakeholders in Tomsk. Even if a suitable local candidate had been available for serving as workshop facilitator, earlier experiences in participatory action (cf., for example, Wright, 1999) suggest that it would still have made
good sense to use an “external consultant” since it would probably not be possible to find a “local” facilitator who would be allowed to take a leading position in the exercise in the first place, and, since the negative consequences of failure could be considered severe, it would also be difficult to find someone willing to take on the task.

Agreement on the workshop program was reached after a dialogue with the local organizer. (The resulting workshop program is found in Appendix 1.) Such were the original requirements on the format of the policy exercise stipulated by IIASA in a dialogue with the local organizer in Tomsk. Let us now see how these intentions were implemented.

**4.3.2 The Workshop – Design and Implementation**

In general, the practical arrangements were quite satisfactory and adequate for our purpose, even if they did not exactly meet our demands. For instance, while the IIASA group had anticipated and aimed for a relatively small and rather informal event, it turned out that the local organizer had opted for using what might be seen as the “standard template” for a (small) international conference. (Throughout, the Russians actually referred to the workshop as an “international symposium.”) The exercise was held in the main building of the Institute of Atmospheric Optics, one of the larger institutes belonging to the Tomsk Science Center (of the Siberian Branch of the Russian Academy of Sciences). It turned out that many of the invited participants were only expected to be present during the initial plenary session. This necessitated a comparatively large plenary hall. The hall that was used for this purpose had a traditional “cinema type” interior, which was appropriate for the plenary lectures, but turned out to be dysfunctional for the subsequent plenary discussions.

The major setback in the preparation for the event involved the participants. Although a large number of people were invited to participate in the policy exercise workshop and some 50 people agreed in advance to come, the number of participants that eventually came and stayed for the entire duration of the workshop and actively took part in the group discussions was comparatively small. All in all, the workshop had 45 Russian participants. Of these 45 people, 20 represented the regional forest management or forest industry, 9 forest research organizations, 8 the regional or municipal administrations, 4 were specially invited by IIASA (collaborators in the IIASA study from other regions), and 2 persons represented the Institute of Atmospheric Optics which was housing the workshop. Due to a major change in the federal forest management organization in Moscow that was unexpectedly decreed by the Russian president only a couple of weeks before the Tomsk exercise, none of the leading officials in the federal forest management, who had earlier confirmed their presence at the workshop, were able to travel to Tomsk to participate in the event. This was of course a major setback, especially for the local organizers, and it is likely to have significantly reduced the regional stakeholders’ interest in the meeting.

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32 Budgetary issues are omitted in this account. Here, some friction was to be expected and a few problems also occurred, mainly due to the inexperience on the Russian side of handling budgets and accounts in accordance with western standard procedures.

33 Rosleskhoz, the Russian Federal Forest Service, and Goskompriroda, Russian environmental protection organization, were both formally abolished and their duties transferred to the Ministry of Natural Resources. These changes caused broad protests among employees of the two organizations and great concern for the future of forest management and the state of the Russian environment were expressed both by Russian and international organizations.
The initial plenary session on the first day of the workshop had a large audience. Apart from the workshop participants, it can be estimated that an additional 10–20 people were present during the first half-day of the exercise. Based on the preregistrations to the event, the organizers had anticipated a large enough group of dedicated participants to allow the establishment of three (or even four) working groups. As it turned out, 30 participants (including the eight members of the IIASA team, the two interpreters and a couple of people belonging to the workshop secretariat) appeared at the start of the meeting on the second day. A most disappointing fact was that the majority of the absentees were to be found among the representatives of the regional forest management and forest industry.

With the relatively small number of “real” stakeholders intending to participate in the group sessions, the organizing committee and the IIASA group decided to form only two working groups.

It is now time to have a closer look at the substantive aspects of the meeting, focusing on the character of the discussions and the views and opinions expressed by the workshop participants.

4.4 Workshop Deliberations

Since the discussions during the Tomsk policy exercise workshop have already been recorded in some detail in an earlier IIASA report by the present author (cf. Olsson, 2001), we will here instead focus on the most important aspects of the event and the topics discussed. The summary will deal with the following themes: 1) the legitimacy of the intervention; 2) participants’ performance; 3) types of issues discussed and the most important suggestions for policy change identified; and 4) the tangible outcomes of the workshop.

4.4.1 The Legitimacy of the Intervention

No one in Tomsk had invited IIASA to make a study of the regional forest sector institutional problems in the first place. As it turned out, we got a “passive support” by the Tomsk Union of Forest Industrialists as well as the regional administration for the case study conducted a couple of years before our policy exercise. As a result of an initiative taken by the leader of the IIASA Forestry Project we subsequently got a strong formal support for our policy exercise proposal from the Head of the Tomsk regional administration, who officially expressed his support in a governor’s decree. Thus, our policy intervention was properly approved by the Tomsk regional administration, and, indirectly, by the regional forest management organization that was transferred to the regional administration through a decree by the Russian President right before the start of our workshop.

The Union of Forest Industrialists, the organization that (at least in a formal sense) represented the regional forest industry at the time of our case study (which it “passively” supported) had been reorganized by the time of our policy exercise. As a result of an initiative taken by the leader of the IIASA Forestry Project we subsequently got a strong formal support for our policy exercise proposal from the Head of the Tomsk regional administration, who officially expressed his support in a governor’s decree. Thus, our policy intervention was properly approved by the Tomsk regional administration, and, indirectly, by the regional forest management organization that was transferred to the regional administration through a decree by the Russian President right before the start of our workshop.

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The name of this company is easily associated with the Soviet time ministerial organization of the forest sector. When forest companies in Tomsk were privatized the regional state forest bureaucracy formed the Union of Forest Industrialists as a kind of branch organization formally owned by member companies (which were mostly large unprofitable enterprises being forced into the virtual economy). It seems that the new holding company is another “twist” on the same concept. This time, however, the unprofitable large forest enterprises have ceded ownership to the new holding company thus, in effect, restoring (the unprofitable part) of the old state forest industrial sector, in the hope that this move will bring more state subsidies for the restructuring of these companies (often situated in remote crisis-ridden municipalities).
we were never able to obtain any explicit support for our policy exercise from the regional forest industrial organizations in Tomsk. But their support was evidenced by their participation in the workshop itself.

While there are other organizations in Tomsk, both public and civil, that take an interest in the regional forest sector (such as the environmental protection department in the regional administration and environmental NGOs) the relations between these and the official forest management organizations seem to be rather “frosty.” This situation made us refrain from seeking formal support for the IIASA policy exercise from such organizations. Representatives of these organizations did, however, take part in our policy exercise workshop.

In the eyes of the regional forest stakeholders, who were invited to take part in the IIASA policy exercise, the event got its legitimacy partly from the fact that prominent representatives of the regional administration and a regional forest research institute were among the organizers of the event. Partly, and this should not be underestimated, the names of some well-known individuals working for the forest sector at the federal level (in Moscow) listed as invited participants in the invitation letter served to make the event legitimate and certainly more interesting in the eyes of the regional participants. (The fact that, in the end, most of the “Moscow participants” were prevented to come to Tomsk to take part in the exercise due to the President’s sudden reshuffling of the central forest sector organizations, regrettably made the regional participants lose some interest in the event.)

Thus, to conclude, the policy intervention that IIASA attempted through its policy exercise in Tomsk was sanctioned by the top political and bureaucratic level and it also had some support from the ordinary forest stakeholders in the region. However, judging from an article published in a regional newspaper a couple of weeks after our workshop, in which the author questions the motives of the many foreigners who have lately been appearing in Tomsk seeking information about the region’s forest resources, it is evident that the kind of “outside intervention” in the regional forest economy that our policy exercise represented may not be “automatically” regarded as trustworthy.

4.4.2 A Note on Performance

In retrospect, the general impression of the workshop deliberations can be summarized in a few paragraphs:

The format of the policy exercise workshop made sense to (a majority of) the participants. By and large the program worked as was expected, despite the fact that we had slightly fewer participants than we had hoped for (at least during the working group session) and that the limited time available was a problematic restriction given our rather ambitious agenda.

While the explicit format of our policy exercise workshop may have been new to most participants, it nevertheless did not cause any co-operation problems. It seems that many forest stakeholders present at our workshop were well acquainted with one another having met on numerous earlier occasions often to discuss forestry problems in a manner not too different from the format used in our workshop.

What seemed new was our insistence on the importance of providing a setting that would encourage all participants to take part in the discussion, and the consequent care we took to explain the format for the workshop deliberations (esp. the group work). To introduce the working group session the workshop facilitator presented a “template” for group discussion that was intended to structure the discussion to make it conducive to the goals of our policy exercise. (See Table 2 below.)
The idea was that all the questions (a)–(f) in the template below should be discussed during the workshop. Since the policy exercise (in principle) is supposed to be an extended process likely to include several workshops, the same questions will reappear in subsequent workshop discussions. This way, participants will always have a chance to develop their views while reflecting on and taking the opinions of others into account. As can be seen from the list in Table 2, questions (a)–(c) refer to the identification and understanding of specific problems that require solutions, while questions (d)–(f) deal with how to find and implement solutions. In the Tomsk exercise the discussions mainly centered around questions (a)–(c), while time did not allow other than a very superficial discussion of questions (d)–(f). This fact was also explicitly noted and lamented by some workshop participants.

Table 2: The IIASA template to guide policy exercise group work

<table>
<thead>
<tr>
<th>Instructions for the Working Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional Problems of the Development of the Tomsk Forest Sector: International Workshop, 15 June 2000, 09.30 h to 12.30 h</strong></td>
</tr>
<tr>
<td>1. Select a facilitator from among the participants in the working group. The facilitator's job is to make sure that (a) the discussions stay on topic and on time, and (b) that everyone at the table gets an equal chance to speak. The facilitator frequently asks questions to move the discussion in the right direction. It is best if someone with good experience doing this will volunteer.</td>
</tr>
<tr>
<td>2. Select a recorder/spokesperson from among the participants, too. The spokesperson's job is to take notes of the main points in the discussions, and present these in the plenary session after lunch. Here, too, it is best if a group participant with good recording and presentation skills will volunteer.</td>
</tr>
<tr>
<td>3. Discuss and provide ideas about the following questions. Be as specific as possible in the answers. For a specific problem area or theme:</td>
</tr>
<tr>
<td>(a) THE REAL PROBLEM</td>
</tr>
<tr>
<td>Make a short statement about what the problem really is. Are there different ways of stating the problem? Develop a group agreement on the best statement.</td>
</tr>
<tr>
<td>(b) PRIORITY</td>
</tr>
<tr>
<td>How critical is it for an effective and efficient transition of the Tomsk forest sector to fix this problem quickly? Is this high, low or medium priority?</td>
</tr>
<tr>
<td>(c) LINKAGES</td>
</tr>
<tr>
<td>Can action be taken on this problem independent of progress in resolving any other problems? If not, which other problems must be solved first before progress can be made on the problem you are discussing?</td>
</tr>
<tr>
<td>(d) KEY PLAYERS</td>
</tr>
<tr>
<td>Who needs to take primary responsibility and a leadership role to resolve the problem? Who else’s participation is critical in resolving this problem?</td>
</tr>
<tr>
<td>(e) REQUIRED ACTIONS</td>
</tr>
<tr>
<td>What specific actions are required to begin solving the problem? What needs to be done first, and how soon? What resources are required to implement each of the identified actions?</td>
</tr>
<tr>
<td>(f) OBSTACLES</td>
</tr>
<tr>
<td>What obstacles are there to implementing the identified actions? How can these obstacles be removed?</td>
</tr>
</tbody>
</table>

The failure to divide the limited time available between all issues on the agenda can also be seen as a sign of participants’ (and especially group facilitators’) inexperience with this type of deliberations. However, discussions concerning questions (a)–(c) actually were very lively – in one group highly dominated by the group facilitator, in the other rather more unorderly and unstructured. One possible reason (other than lack of time) for the fact that discussions
basically stopped short of the issues concerning the choice and implementation of measures that might solve the identified problems may have to do with the legacy from the past. In Soviet times discussions were also lively and far reaching, but mainly focused on “finding faults” rather than “finding solutions” that might improve the situation. To suggest and decide on solutions was the privilege of the Party apparatchiki, and engaging in discussion of such issues might be interpreted as criticism against people in power and thus dysfunctional or even dangerous. Similar sentiments might still hamper people’s engagement in constructive discussions today. The fact that people seem to be satisfied with leaving decisions to those “in office” also probably has to do with a remaining belief that everyone is “sitting in the same boat,” that there are no fundamental differences of interest in society and that, therefore, it makes no significant difference with whom decisions are left.

It seems that a widely embraced corporatist ideology in combination with a weak civil society is to blame for this reluctance among stakeholders to engage in decision-making. However, these factors are not likely to be equally important in all parts of the country or in all strata in the population. But they seem to play a dominant role in Tomsk, a region with an undiversified economy and a (still) underdeveloped political life.35

4.4.3 Types of Issues Discussed During the Workshop

Here we will simply group issues discussed during the workshop under three main titles: (1) Problems with current behavior in the public sector; (2) Problems with current behavior in the forest sector; and (3) Measures required to change current behaviors. While, towards the end of the workshop in Tomsk, someone remarked that the discussion had not been very much concerned with “institutional issues,” we will here try to phrase the problems discussed in terms of actors’ rule-based behavior, i.e., in an institutional perspective.

Before going into the topics discussed under these three themes, let us have a look at the extensive listing of problems and topics for discussion that the workshop facilitator generated after listening to the plenary presentations and the subsequent general discussions during the first day of the meeting. This list was offered as “food for thinking” before the working group session to start the next morning. The list, which contained 21 issues, is reproduced in Table 3 exactly as it was presented (without any regrouping or deletions of possible overlaps).

In the account below of the main topics discussed during the Tomsk policy exercise workshop the focus will entirely be on substance and not on the relevance of “who said what and when.” This may not seem to be any severe limitation, but, in fact, in the Russian context much of importance for an understanding of the significance of events might be lost unless such relational and contextual factors are taken into account. And, in particular, when we are discussing institutions, or rule-based behavior, it might seem appropriate to take people’s motives into account. Furthermore, issues such as these have to do with incentives, which are very relevant to consider when trying to understand how institutional change is possible. However, since we have not got sufficient knowledge about the situation and actors in Tomsk it is better to abstain from relational speculations and judgements.

35 Stoner-Weiss (1997:32) discusses the “corporatist-like arrangements of interest group intermediation” in Russian regions and notes that this “came about as the economy moved from highly regulated state socialism toward a free market and capitalism.” However, the author seems to be overlooking the fact that such a corporatist arrangement was typical of the Soviet command economy.
Table 3: List of issues discussed during the initial plenary session

- Unclear and insecure property rights;
- Contradictory laws and regulations;
- Lack of law and order;
- Low participation in education and training;
- Unethical business behavior;
- Uncertain and unstable administrative regimes;
- Unstable and high taxes and fees (including stumpage);
- Shortage of investment funds;
- Old, uncompetitive technology;
- Distance from markets;
- Technological and ecological problems in forest management;
- Inadequate forest inventories;
- Inadequate transportation infrastructure;
- Political instability;
- Privileged relations between specific businesses and government;
- Underfunding of forest management;
- Outdated Forest Code;
- Fragmented transportation policy;
- Low priority of the forest sector in Tomsk government;
- Poor information for forest sector decision-making (e.g., economic wood supply);
- Poor markets for low-quality timber.

In the account of the discussion that we make under the three headings below, problems are identified and solutions are sometimes suggested. The solutions discussed under the first two headings, however, rather have the ambition to counteract negative consequences of the problems in a fairly short term, while the solutions discussed under the third heading aim to change underlying institutions so that the causes of several of the problems discussed earlier are eliminated.

Problems with current behavior in the public sector (general institutions)

Workshop participants were in general very critical towards the regional authorities – the main target of criticism was the regional administration – for not ensuring law and order in society and for not taking sufficient initiatives to solve the crisis currently afflicting the region’s economy. The discussion showed that people are very well aware of the fact that much of today’s problems can be blamed on the legacy from Soviet times. Several complaints heard in the discussions about the lack of coordination (both in society at large and in the forest sector) was directed towards the regional administration. At the same time, however, several participants pointed out that Russia was nowadays supposed to be a market system, where coordination is achieved through the market and where state interference in economic life should actually be restricted to maintaining transparent and efficient “rules of the game.”

The ambivalence demonstrated by workshop participants concerning the role of the state must be seen in the context of this heritage from the Soviet past, which constitutes a profound problem to a remote natural resource producing region like Tomsk. Most of the economic structural problems found in the region are a result of allocative decisions taken in the old Soviet society, decisions that would not have been sustainable in a market system. The Tomsk region was “designed” to be a wood producer, a supplier of raw materials for industries in other regions of the Soviet Union. As a consequence, today the region has a large number of unprofitable enterprises in the forest sector, often large enterprises forming the economic

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36 Perhaps somewhat surprisingly nothing was held against the regional parliamentary system (the regional Duma), which is a vital organization in current regional life. The general sentiment, however, seemed to be that real (executive) power lies with the regional administration (the Gubernator). To a large extent this is only a reflection of current realities, where much in society is still determined by allocations over the state budget (incl. massive regional redistributions performed at the federal level) giving the regional state executive power financial means to accomplish real change.
basis for entire communities that have no possibility of becoming competitive in the new market environment unless massive investments are made in new technology and modern management. This has driven the main part of the regional forest economy into the virtual economy (cf. Section 3.1 above), with a heavy dependence on public support to avoid the severe social problems that would follow if these enterprises were simply left on their own and squeezed out of the market.

The consequences of having a large part of the regional economy operating in the virtual economy are profound. Actors in the Tomsk forest sector are well aware of these consequences, but, as was demonstrated in our discussions, their views of what measures would be required to move out of, or change, this context varied. Some participants (a minority) tended to be in favor market solutions where companies are left on their own to find solutions to their problems. Since this is largely what is actually happening in Tomsk opponents of such radical market solutions, participants who rather called for better sector governance and more state subsidies, also seemed to realize that whatever these enterprises need to do to improve their situation they must do themselves since no one is coming to their help. The formation of a holding company merging several such unprofitable forest enterprises mainly situated in remote settlements of the Tomsk region should be seen as an attempt to improve the situation by allowing more coordinated management initiatives with the purpose to extract funds (for investments and social support) from the public sector, both at the regional and at federal levels.

Thus, critique against the regional administration for being too passive should be seen in the light of the virtual economy. As one workshop participant put it: “Today, there is a forest sector department in the regional administration that tries to keep itself informed about what is going on in the sector, but does nothing to help enterprises with marketing, etc. This necessitates the establishment of large state-owned and state-run holding companies that are able to obtain funds made available for forest sector restructuring by the federal organs.”

Another issue that was much discussed during the workshop concerned the need for revisions and extensions of the forest legislation. It was noted that time had now come to do something about more long-term issues, like developing regional forest codes. In this work forest property rights should also be reformulated. For instance, the division of the forest lands between the federation, the region and the municipalities was considered especially pertinent – such a division would still preserve public ownership of the forests. This issue should of course be explicitly regulated in the federal Forest Code. An important task for a regional Forest Code would be to further clarify the regional forest property rights through better regulation of various actors’ access and rights of use. In this context the issue of community forests was also discussed. It was believed that this form of forest ownership/management might be suitable for Siberia and that it is worth further discussion. It was noted that Russia is heavily centralized in most respects, while natural and social conditions significantly vary between different regions of the country. This situation begs initiatives to advance regional regulations, such as a regional Forest Code, in which regionally specific conditions might be taken into account.

In this context, it was felt that an especially important question for the Tomsk region concerns the cedar forests situated close to rural municipalities. These forests, mainly used for cedar nut (arekhi) production, cover small areas, but a decision on their use would be very important for the rural population. This type of forest existed even before the 1917 revolution and it has demonstrated its vitality ever since.

37 This form of forest ownership/management has been discussed by a member of the IIASA research team (cf. Carlsson, 2000).
Much was also found to be missing in the public regulation of forest business relations, such as rules supporting economic assessments of the regional forest resources, and rules ensuring a transparent allocation and collection of payments and taxes for forest use, etc. The current system was found to be incomplete, disordered and, to a significant extent, obsolete.

Group members all agreed that the present taxation system is a serious obstacle to developing a sound business life. Although there are too many and often contradicting taxation rules – rules are also changing too frequently – good implementation practices might in principle help improve the situation. So, for instance, it was suggested that tax inspection should not be allowed to review new forest companies for at least three years, until their activities had been firmly established. This would give new companies enough time to build sufficient strength to meet all society’s obligations.

It was also stated that formal rules affecting the Tomsk forest sector clearly do not equally apply to all actors. One example that was mentioned was the procedure for allocating forest plots between users.

Another problem of some concern to the workshop participants was the fact that no investment policy exists in Tomsk. This is a significant problem, especially for SMEs, since financing investments through bank loans is considered unfeasible by most SMEs (another institutional deadlock). While today it is a stated goal for the government not to interfere in the economy, in this case the administration really should help in stimulating investments by removing obstacles for an efficient functioning of the banking system and perhaps by granting investment guarantees that might be used by companies as security for investment loans.

Most group members complained about the inflated railroad tariffs and the neglect of road maintenance. Since forestry is one of the main sectors in the Tomsk regional economy and the region occupies vast territories, the currently extremely high railroad tariffs constitute an especially difficult obstacle for development of the sector.

Despite some measures taken lately to improve the situation, there are not enough qualified people available to work in the forest sector industries. This will probably remain a serious problem even when other problems have been solved, but neither politicians nor bureaucrats seem very interested in this labor market problem.

**Problems with current behavior in the forest sector (forest sector institutions)**

Judging from the workshop discussions actors in the forest sector are acutely aware of the consequences of the virtual economy for the current performance in the sector. Thus, as several participants noted, since the state, in order to avoid catastrophic social problems, is forced to take over the ownership when many recently privatized forest enterprises go bankrupt, it should also take a more active interest in the governing of these enterprises and in the enterprises in which the state still has shared ownership. In such problem-stricken enterprises (often constituting the basis of whole municipalities) the state should exert its influence as owner and install an efficient company management. As it is, no investments are made that might improve the future situation of these problem companies and no investments can in fact be made without financial support from the state, since these companies (due to their location and current state) are not viable in the new economic environment.

Life in many rural settlements has always been based on forest related activities. With the current transition related crisis, the regional government should pay much more attention to the social and human problems that have emerged. It seems that less is done by the regional state organs and the political system to improve the situation in the forest sector in Tomsk compared to what is done in many other regions. For instance, in Tomsk it should in principle
be possible to use some of the revenues of the profitable oil and gas industry to revive the forest sector. Several members of the group pointed to the fact that in many other Russian regions (one example being the Komi Republic) the forest sector receives strong support from the regional authorities. Here, incentives have been created for forest enterprises to restructure and reorient their production.

In effect, it seems that stakeholders in the Tomsk forest sector, provoked by harsh circumstance, advocate a more active state regulation of the regional economy. The issue of Soviet mentality was raised by one workshop participant (from Moscow) who wanted to provoke more clear thinking about public interference in private business life. Too active state interference would probably severely hamper foreign investments in the region. If foreign investments are really wanted it should be obvious that control of the enterprises would also have to be ceded to some extent.

Workshop participants found that, in the face of an obvious need for state interference in the forest sector, there was actually no political ambition in Tomsk to come to grips with the problems of the forest sector. Today, it is rather the profitable oil and gas industry that is the focus of regional administrators’ and politicians’ interest.

It was also pointed out that not only traditional forest management issues need to be discussed. It is absolutely essential to focus on the economy of the forest sector. For instance, the annual allowable cut is still set without any view to what is the economically feasible level of harvest, that is, what amounts of wood could actually be sold on the market. There is also no concern for the “quality of growth.” Since no one seems interested in improving the structure of existing forest industries through investments in modern technology.

An especially pertinent problem in the Tomsk forest sector concerns the issue of Siberian stone pine (*Pinus sibirica*, locally called cedar) harvesting, the idea being that Tomsk should negotiate an exception from the moratorium on cedar harvesting with the federal authorities and introduce temporary regional rules allowing intermediate harvesting of the region’s cedar stands. It was explained that such temporal rules were, in fact, already being prepared.

All workshop participants seemed to agree that harvesting of these forests would be ecologically warranted as well as crucial for revitalizing the Tomsk forest sector. As it is today, regional industries using cedar wood (e.g., the large Tomsk pencil factory) cannot obtain sufficient amounts of raw materials for their production.

Workshop participants also paid attention to the issue of a sustainable forest management in the Tomsk region. It was found that there is a need for a specification of criteria and indicators of sustainable forest management and these criteria and indicators should be corroborated through relevant legislative and normative acts. There is also a critical need to improve the quality and accessibility of information about the regional forest sector. Such improvement requires a qualitatively new forest inventory and planning (*lesoustroistvo*) capable of generating the necessary forest monitoring information (in particular monitoring of forest fires) and the introduction of Geographical Information System (GIS) based methods at different levels, especially at the forest enterprise level, etc.

While in Soviet times, the Tomsk forest enterprises used to ship their products to other parts of the Union, today, this supply network (a kind of administratively established “market”) has entirely disappeared. But there is an emerging local and regional market for wood products. The industry has to orient itself towards these market segments (e.g., housing construction).
Measures required to change current behaviors (institutional change)

As reported during the workshop a concerted effort to formulate a new forest policy for the Tomsk region was initiated through the 1997 “program” elaborated by the Tomsk Union of Forest Industrialists (cf. Tomsk Oblast, 1997). The program was now being revised and some of its contents was described to the workshop participants. Through this program it was expected that necessary priorities between problems and related measures would be established to guide further work to improve the forest policy and the situation in the Tomsk forest sector.

The necessity of establishing priorities in the work to change current inefficient behavior in the Tomsk forest sector was also emphasized by several participants in the policy exercise workshop. Therefore, it was argued, the discussion during the workshop ought to start with identifying the role of the forest sector in the Tomsk economy. The Russian transition crisis has severely manifested itself in Tomsk. The problems have to do with the production structure inherited from Soviet times (basic focus on forestry), they are related to the region’s geographical location and the transportation system (in Soviet times distance was not considered a problem), they have to do with improving technology through investments (and funds for this are no longer allocated over the state budget). Since these are very difficult problems to solve the discussion must aim at finding an efficient priority among all the related issues and the measures needed to initiate necessary changes. In one of the working groups the following priority of problems was agreed upon:

Table 4: Problem priority as agreed upon in one of the working groups

<table>
<thead>
<tr>
<th>Top priority issues:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• There is no investment policy for the Tomsk forest sector. This should be changed.</td>
</tr>
<tr>
<td>• The existing taxation policy must be revised.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High priority issues:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The acute infrastructure problems (especially with respect to railroads, but also road and water transport) have to be solved.</td>
</tr>
<tr>
<td>• Economically motivated stumpage fees should be used.</td>
</tr>
<tr>
<td>• The role of the state (e.g., the Department of the Forest Industrial Complex in the regional administration) should be decided.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Important issues:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support of small business companies in the regional forest sector should be developed.</td>
</tr>
<tr>
<td>• Price formation and marketing of wood products should be settled.</td>
</tr>
<tr>
<td>• The raw material orientation of forest production should be changed.</td>
</tr>
<tr>
<td>• Old or obsolete machinery and technology still in use in the Tomsk forest sector should be replaced.</td>
</tr>
<tr>
<td>• Different rules of the game apply to different actors. This is unacceptable.</td>
</tr>
<tr>
<td>• A regional export-import policy should be developed.</td>
</tr>
<tr>
<td>• Economic free zones should be established for crisis regions like Tomsk.</td>
</tr>
<tr>
<td>• Lack of personnel (right amounts and right qualifications) constitutes a serious problem for the regional forest sector of Tomsk.</td>
</tr>
<tr>
<td>• Social problems due to forest sector difficulties need to be resolved.</td>
</tr>
<tr>
<td>• There is a need for a Regional Forest Code.</td>
</tr>
</tbody>
</table>

It was clear that all of these issues were considered important, and that they are interrelated and necessary to act upon. The priority rather said something about the order (and timing) in which actions should be taken.
The crucial role played by education in the reformation of institutions was also noted in the workshop discussion. There is a need for more and better qualified personnel in the Tomsk forest sector. The city of Tomsk has an excellent educational infrastructure so the capacity for education and training is already available. The problem today is that wages in the forest sector are too low to attract young people to engage in a forest related education. In competition with other more profitable sectors of the regional economy (like oil and gas) the forest sector has been losing out. Thus, a more active labor market policy seems to be required to counter the current negative trends.

Through an educational drive in the forest sector more people might also become interested in establishing their own small forest enterprise. Workshop participants also emphasized that support for the establishment of a small enterprise sector should be developed. This is important for forming an independent social stratum – a middle class – in Russian society. But since volumes processed by small enterprises operating in the Tomsk forest sector are comparatively small, whatever happens in the SME sector cannot change the overall picture of deep crisis in the regional forest complex. Nevertheless there are several long term benefits associated with an increasing SME sector. However, it was noted that while a regional program exists for the support of small business, the existence of small enterprises in the forest sector has never been acknowledged thus preventing such companies to benefit from this support.

What seemed to be rather advanced plans in the regional administration to establish a kind of reference group for forestry and forest industry issues were also disclosed during the workshop. This news triggered some exchange of opinion as to whether it would be a good idea to try to influence changes in the regional forest policy by working in a group affiliated (or even instituted) by the regional authorities, which, in fact, is the counterpart that stakeholders in the forest sector should try to influence (lobby) in order to achieve support for various reform measures. Clearly this setup raised concerns of double loyalty. It was felt that such a group should stand entirely free from government influence. In this kind of context, having to do with policy formation, the question was raised whether such a stakeholder group should be related not to the state organs (in this case the regional administration), but rather to the parliamentary structure (e.g., the regional Duma’s Committee on economic policy). It was noted that the tendency to always turn first to the administration rather than to elected bodies of the state power is a remnant of old Soviet behavior (in fact, when the old system was turned over, regional administrations were formed on the basis of the regional party organization). Today, however, decisions in society, for instance those concerning budget expenditure, must be discussed and approved by the regional Duma. Thus, it would seem natural that formulating a regional forest policy with the participation of regional forest stakeholders should primarily seek the support (or one way or another affiliate itself) with the political representational system – the parliamentary structure – rather than the state executive. However, these concerns, which were expressed by some members of the IIASA team and a few other workshop participants, did not much disturb the majority’s belief that having “direct access” to the regional administration would benefit the Tomsk forest sector.

Several workshop participants raised issues concerning ways to continue the work started at this workshop to refine the analysis of the problems and further elaborate suggested measures to cope with these problems. One suggestion was that the workshop secretariat should present the results of the discussions to the regional administration and ask that the conclusions reached be taken into account in its future efforts to improve the workings of the sector. The chairman made it clear that contacts had already been made to this effect with the relevant officials in the regional administration.
The workshop ended with the participants delegating full authority to the workshop organizing committee to produce a document (declaration) reflecting the outcome of the intensive discussions in the policy exercise during the last two days.

4.4.4 The Tangible Outcomes of the Workshop

The day after the workshop a delegation representing the policy exercise participants\textsuperscript{38} was invited to the Head of the Department of natural resources and the oil and gas complex in the Tomsk regional administration to inform him about the outcome of the policy exercise workshop.

In a meeting between the IIASA group and the organizing committee on the morning after the workshop an outline was conceived of the contents of a final document informing about the results of the deliberations during the policy exercise workshop. It was agreed that a fairly short document (3–4 pages) would be most suitable for the purpose and that the text should contain a preamble explaining the context of the meeting and its background (IIASA’s study) and that it should then simply list the most important problems that were identified as obstacles for a positive development of the regional forest sector. Finally, it should list a number of recommendations for actions considered to be the most important for improving the situation in the sector. The task to work out a draft of the document was delegated to a small “editorial committee”\textsuperscript{39} that managed to produce a first version of a final document before the day was over.

The draft final document was further elaborated and modified during the late summer and autumn. During the autumn the draft version of the document also went through several iterations between the IIASA team and the workshop organizers in Tomsk and a final version was not agreed upon until towards the end of the year. The document (in a Russian as well as an English version) was signed only in January 2001. Soon after our exercise, however, a copy of the draft document was presented to the Tomsk regional administration to form (part of) the background in its preparation for a meeting with the regional State Duma in July. (Appendix 2 contains a copy of the final document.)

Through personal communications (email) and copies of proposals worked out in the regional administration as well as newspaper articles sent to us soon after the meeting by the main coordinator of our workshop, we have been able to (tentatively) assess to what extent and in which manner the discussions in our policy exercise exerted an influence on the development of a future forest policy in Tomsk.

Only about a week after the end of the IIASA policy exercise a group composed of workshop participants was reported to have started work on revising the 1997 sustainable forest development program (cf. Tomsk Oblast, 1997). This was an important move in order to bring the issue to the attention of the Tomsk Government and State Duma meeting later during the summer. The work (which had already been initiated in Tomsk at the time of our workshop) to develop rules for a reopened harvesting of the region’s cedar forests stands was further supported in July by the federal forestry organs (the former Federal Forest Service, now a department in the Ministry of Natural Resources).

\textsuperscript{38} The delegation consisted of six people, three members of the IIASA team, Peter Duinker, Mats-Olov Olsson, and Anatoly Shvidenko, and three representatives of the regional forest stakeholders, Vladislav Vorob’ev (forest research), Alexander Sulakshin (forest industry), and Vladimir Bykov (forest management).

\textsuperscript{39} The editorial committee consisted of Vladislav Vorob’ev, Alexander Sulakshin, Anatoly Shvidenko and Mats-Olov Olsson.
Both the revision of the Tomsk forest sector development program and the development of rules for the harvesting of cedar forests in Tomsk were noted in a draft resolution to be adopted by the Governor of Tomsk concerning immediate measures to be taken to stabilize the Tomsk forest sector in the years 2000–2002. In this document, a number of measures were listed that had earlier been discussed in the IIASA case study report on the Tomsk forest institutions (cf. Carlsson and Olsson, 1998; Carlsson, Lundgren and Olsson, 1999). The draft also listed several measures that were discussed at our June policy exercise and that were mentioned in the final document from that event. (The measures listed in this draft resolution can be found in Appendix 3.) It seems, however, that the governor never adopted this resolution. But even if it was never formally adopted, it demonstrates that our policy exercise made an impact on the ongoing discussion among the Tomsk forest sector stakeholders in their efforts to develop a regional forest policy.

There was also some media coverage of the policy exercise workshop at the time it took place and soon after. A few relatively large articles appeared in regional newspapers during the summer months. Some of these articles were based on an interview with a prominent regional forest stakeholder voicing some of the most pertinent recommendations to be extracted from the workshop discussions. One article gave a fairly accurate summary of the main findings in the IIASA study of the institutional embedding of the Tomsk forest sector. In a review article published two months after the policy exercise, the concluding section referred to the “productive symposium” that was recently held in Tomsk and listed several recommendations made by workshop participants as important measures that would have to be taken in the near future to significantly improve the functioning of the regional forest sector.

5. CONCLUSIONS

The changes that have taken place in the Russian society after the disintegration of the Soviet Union are profound. Since the whole earlier socio-political system has been overthrown we can characterize the Soviet transformation into a market-type system as a revolutionary change. In fact, what we have witnessed during the last decade has been called a “revolution from above” (cf. Kotz and Weir, 1997), in which certain circles in the Soviet elite have pushed for reforms that eventually caused a systemic change and resulted in a huge redistribution of resources and wealth in society, a redistribution, furthermore, that have

At least it was never listed among the adopted resolutions on the administration’s web page at http://www.tomsk.gov.ru/.

It can be noted that a subsequent resolution adopted by the Governor of Tomsk (Postanovlenie, 1 January 2001, No. 1) confirmed an earlier endorsement by the Federal Forest Service of 26 July 2000 that had opened the cedar forests for intermediate harvesting. These temporary rules are currently implemented in experimental cedar harvesting in Tomsk, as the only region in Russia. (This was reported in a recent newspaper interview with Mr. Alexander N. Monin, the current head of forest management, which is today a division inside the committee for natural resources of the regional administration, cf. Tomskii Vestnik, 14 September 2001). Through another resolution (Postanovlenie, 29 January 2001, No. 26) a tender invitation was issued for the development of a comprehensive regional development program for the Tomsk forest sector in the period 2001–2010.

Four articles reached IIASA: (1) “How to overcome the crisis in the regional forest industrial complex”, Tomskii Vestnik, 14 June 2000; (2) “A Swedish View on the Tomsk Forest”, Tomskii Vestnik, 20 June 2000; (3) “Vladislav Vorob’ev, director of the Tomsk Branch of the Forest Institute Siberian Branch of the Russian Academy of Science: “To simply shout: ‘Don’t touch our forest, don’t harvest cedar!’ is unprofessional”, Piatnitsa, 6 July 2000; and (4) “Reefs of the forest economy; The development of the regional forest industrial complex must not become a fairy tale”, Tomskii Vestnik, 25 August 2000.
concentrated wealth and economic power in the hands of a small elite minority (the so-called “oligarchs”).

A profound systemic change like the one we have witnessed in Russia requires a major transformation of the institutional framework in society. In fact, such a systemic change consists of a series of fundamental institutional changes. The whole literature on the transformation of the former “socialist countries” largely deals with institutional change.

At the start of the “transition period” by the end of the 1980s, many actors and observers believed that the transformation from the old command economy to the new (capitalist) market economic system would be a fast process once the fundamental institutions were in place. Basically, it was expected that once the price system had been liberalized and hard budget constraints introduced for all enterprises in the economy the rest would quickly follow. As it turned out, these expectations were ill-founded. The post-socialist transformation has clearly demonstrated that such fundamental changes in a society’s institutional set-up cannot, in fact, be swift and free of conflict. The transition experience shows that institutional change is path-dependent. Existing institutions entrenched in an existing organizational structure cannot easily be removed or modified. At the same time designing and introducing new institutions is also not easily accomplished.

If we assume, as we have done in this paper and in the earlier research conducted at IIASA – and, as many outside observers and, for that matter, many (probably most) citizens in the European transition countries seem to do – that the goal of the transition is to convert the former socialist countries into western-type market democracies, it is quite obvious that a lot remains to be done before the institutional framework of the transition countries has become fully conducive to an efficient functioning of a modern social and economic life. Thus, while many institutional changes have taken place, many more remain. This conclusion is valid for the Russian socio-economic system at large, and, as hopefully has been shown earlier in this paper, it is a highly valid conclusion for the Russian regional forest sector.

As our study of the institutional problems hampering the performance of the forest sector in Tomsk has shown, further institutional changes are needed in order to improve the functioning of the sector, to make it more competitive in the new market economic context. The question is which institutional changes are needed and how such changes can be initiated. And, on a more fundamental level, is it at all possible to accomplish purposeful institutional change, can institutional change be designed?

As we have tried to argue above (cf. Section 2) we believe that institutions can change, that they actually do change and that “directed” changes can, under specific conditions, indeed be designed, decided, and implemented by intentional collective action. While the process through which formal institutions change is rather more manageable than that through which informal institutions change, both types of institutions are in principle amenable to intentional change by human action and interaction.

As the IIASA case study of the forest sector problems in Tomsk illustrated (cf. Section 3) it was certainly possible for an outside observer to identify a number of deficiencies in the institutional framework of the Tomsk forest sector. Several suggestions for improvements of the forest sector institutional framework of Tomsk were also presented in the case study. However, the study concluded that a fundamental problem with the various suggestions for institutional change that were proposed had to do with the high degree of interdependence between various measures. Consequently, many of the measures that were suggested for improving the dismal situation in the Tomsk forest sector actually presupposed the existence of an already well functioning institutional framework. This is a crucial problem with institutional change.
So, in a situation where the need of institutional change has been established and where a set of necessary or relevant institutional changes have in fact been suggested, what can be done to implement these suggestions? To answer this question we can no longer ignore the position of the observer/analyst. It is important to realize the significance of the fact that the IIASA study of the regional forest sector institutions in Russia was made by an observer/analyst who is not himself a part of the system that was studied. It would seem that the only thing such an external “actor” can do is to finish his analysis and inform the ones most concerned with the investigated problems about the results. If, on the other hand, the study had been conducted by someone inside the studied system, or by someone outside the system serving as consultant to someone inside, then the results of the study might have triggered another kind of response.

While IIASA’s case studies of Russian regional forest sector institutions were initiated from “the outside” (by IIASA as an external observer/analyst), they were always conducted in collaboration with representatives of the regional forest sector stakeholders and often with the formal consent and sanction by the regional forest sector authorities. This was taken by the IIASA research team to mean that IIASA at the end of a regional case study was in fact in a legitimate position to take a more advanced step towards the realization of the proposals elaborated in the studies. The question that remained, though, was which specific “advanced steps” could actually be taken to implement the suggestions elaborated in its previous research.

For reasons elaborated at some length in Section 2 above, the manner in which IIASA tried to promote the implementation of the suggestions for institutional change elaborated in its studies of current forest sector problems in eight Russian regions was to initiate and arrange policy exercises with the forest stakeholders in the regions where case studies had been conducted.

This actually brings us to the issues raised in the introduction to this paper about the prerequisites of participatory policy processes. Let us finish with some comments on these issues.

- **What are the general prerequisites for participatory policy processes and for initiating such processes?**

In general the prerequisite for a workable participatory policy process is of course that there exists a specific problem (or a set of problems) in a community that have not been (and are likely never to be) satisfactorily attended to by the structures in society that normally would manage this type of problem. This may be entirely new problems in an existing context, problems which are not noticed or acknowledged by the “normal structures” or for which these structures cannot find any solutions. It may also be more long-standing problems that have never been definitely solved or for which the “normal structures” have not been able to find sufficiently good solutions.

In order to initiate a participatory policy process with the purpose to find solutions (and perhaps even implement these solutions) a number of general prerequisites must be at hand. First of all, to make it possible to get such a process going there must be a sufficiently large number of actors who have become aware of the problem and who think the problem possible to solve and who believe that no one else is going to solve it. How strong (in terms of numbers and composition) this group of actors has to be must be determined with a view to the complexity and the “quantitative aspects” of the problem at hand. Secondly, the political environment in which this initiative is going to be taken must allow such kind of participatory action. Thirdly, to really succeed in initiating such a participatory policy process (and even more to make this process successful) it is important to get capable actors to participate.
Modern societies, where levels of civic organization are high, are likely to be favored in this respect. Thus, the more advanced civil society, the better the chances are of finding successful participatory policy processes.

- **What are the specific prerequisites for the successful establishment of a participatory policy process in the Russian forest sector? Are such prerequisites in place in Russia today?**

In this general perspective we have to acknowledge that the specific prerequisites existing for a successful participatory policy process in the Russian forest sector present a mixed picture. In some respects favorable conditions for such a process exist. In other respects conditions are less favorable. For instance, most forest stakeholders know that severe problems beset the Russian forest sector in its new social and economic setting. Many also know much about these problems and have ideas about how the problems might be solved and they realize that the present power structures (both in society at large and in the forest sector) might never be able to cope with the problems that are facing the sector or might not even bother to try to find any solutions. They also suspect that if the authorities indeed would try to solve (some of) the forest sector problems they might well come up with suggestions for solutions that would not work at all or that would not be the best under the circumstances. Thus, there are regional forest stakeholders in Russia who are capable in the sense that they know much about the regional (and often also the federal) forest sector and its problems and who may have ideas about how these problems could be solved.

However, it is not quite clear to what extent the current Russian socio-political system can accommodate participatory policy processes. In general, the Russian political system is still rather primitive, with an underdeveloped formal political system – a multiparty system exists, but its capacity for channeling citizens’ political opinions still seems rather bleak. While there are many political parties in Russia, most are very small in terms of membership and efficient ways of work have not yet been established. In this situation much power has been gathered in the hands of the executive, the presidency, and, on the regional level, in the hands of regional heads of administration, the governors. Even if there has been a strengthening of the presidency under Putin and even if governors have huge powers in many regions, the general impression is that the state is still weak in Russia. This does not, however, mean that the state would welcome popular interventions in public affairs, especially interventions that are not even channeled through the existing official political structures. On the contrary, such “unauthorized” popular movements are easily seen as a threat to central authority and something that should rather be quenched than stimulated. So, initiating participatory policy processes would at least require some careful preparations in order to be allowed and seen by the “authorities” as something that might help rather than harm development.

Even if participatory policy processes are in principle possible in Russia, and sometimes even welcome and encouraged by public authorities, there still remains a problem with people’s attitude toward this kind of political action. This has very much to do with the weak traditions of civil society in Russia. People are simply not used to take action outside their work or their work-related organization, such as the trade unions. For several reasons Russians are hesitant when it comes to taking action as a private citizen in civic organizations. This is especially so when the action is related to something for which there already exists an established political, bureaucratic or (nowadays) private enterprise organization (cf. the reasoning in Section 2.5 above).

What then, in a final count, could we say about the possibilities for participatory policy processes in the Russian (regional) forest sector? First, if such a process really got established
(with the sanction of the authorities) and engaged many stakeholders much knowledge and initiative might lead to useful applications that would improve the situation in the forest sector. This fact is probably also realized by the “authorities.” The difficult question, then, concerns the possibilities to get such a process going in the existing political environment and with stakeholders having such a limited “civic experience.” The conclusion drawn by IIASA was that trying to initiate a participatory policy process among the regional Russian forest stakeholders was valuable both for the substantive contributions it might make to the solution of actual problems hampering the development of the forest sector, but also for the “educational” merits of the project, through which some of the “democratic deficit” in Russia might be made slightly smaller.

- **To what extent can the necessary prerequisites for a successful participatory policy process in Russia be created, imposed or “fostered” from “the outside”? What lessons can be learned from the IIASA policy exercise in Tomsk (and the previous IIASA research) for initiating a successful policy process in the Russian forest sector (and elsewhere)?**

The experience gained by IIASA from the policy exercise in Tomsk, which has been reviewed and discussed in this paper, should be taken to indicate that participatory policy processes are indeed possible to initiate and stimulate from “the outside.” And, taking the current level of the Russian democratic maturity into account, it seems all the more relevant actually to take such initiatives as a way of fostering the development of Russian civil society.

However, to succeed (in the sense that the process works as intended and that it becomes a continuous activity) such an initiative should be backed up with substantial (financial) resources. It would also be good if further external support could be generated to be released in case some of the solutions to the problems discussed in the policy exercise actually would be elaborated to the point when it might be implemented. The issue of resources (financial support) also bears upon the legitimacy of the initiative. Obviously, if an initiative to a participatory policy process does not succeed – or it cannot be made plausible that it will eventually succeed – in securing sufficient financial support to make it realistically possible to sustain it, such a process will have severe difficulties of finding support among stakeholders. Such a process would simply not be considered legitimate in the eyes of its (potential) participants. This problem may be even more acute when a participatory policy process is initiated from “the outside.” It seems highly unlikely that such initiatives would be able to generate local Russian resources sufficient to sustain an active and long-term process. Therefore, today, external initiatives to organize participatory policy processes should be backed up with external funding.

In light of the above our policy exercise in Tomsk might be said to be a moderate success. It did in fact generate some useful activity, but an activity that was mainly related to the policy exercise workshop itself. Since the process was not backed by sufficient external funding we can only notice that it turned out to be a one-time event. As far as we are aware it did not lead to any organized longer-term activity among the Tomsk regional stakeholders. In a society with more experience of civic organization our initiative might indeed have produced a longer-term effect, even without the backing of external funding. The main lesson to be learned, however, is precisely this: if it is possible to initiate a policy exercise under the present Russian circumstances, the initiator must be prepared (i.e., have sufficient resources) to follow the activity through to the point when it becomes self-sustainable. This way it will have a chance to “mature” and start producing the intended outcomes.
References


Tomsk Oblast (1997): “Ustoichivoe razvitie lesopromyshlennogo kompleksa Tomskoi oblasti na osnove rational’nogo lesopol’zovaniia i glubokoi pererabotki lesoproduktsii” (Sustainable development of the forest industrial complex of Tomsk oblast on the basis of a rational forest utilization and further processing of the forest produce): Tomsk Oblast Regional Program, Decision No. 394 by the State Duma of Tomsk Oblast on January 28, 1997.


Appendices

Appendix 1: Workshop Program

International Symposium
14–16 June 2000

INSTITUTIONAL PROBLEMS OF DEVELOPMENT OF THE TOMSK FOREST SECTOR

Organized by:
Tomsk Regional Administration, International Institute for Applied Systems Analysis (IIASA), Austria, and Institute of Forest of V.N. Sukachev, the Filial, Siberian Branch of the Russian Academy of Sciences

Tuesday, 13 June

Arrival, hotel “Oktjabrskaja”.

15.00 Acquaintance of participants, work council of Symposium organizers (Akademgorodok, Home for scientists).

Wednesday, 14 June

9.00–10.30 Building of the Institute of Atmospheric optics (Akademgorodok).

1. Introduction and welcome of leading participants from IIASA and Russia (30 minutes).

2. Anatoly Shvidenko, deputy leader of the IIASA Forestry Project, speaks about IIASA and its research on forestry (30 minutes).

3. Peter Duinker, main facilitator of the Symposium, explains the goals and means of the exercise (20 minutes).

10.30–11.00 Coffee/tea break

11.00–12.30 The IIASA study on the institutional embedding of the Russian forest sector is presented by the IIASA research team.

12.30–14.00 LUNCH

14.00–15.00 The IIASA study on the institutional embedding of the Tomsk forest sector is presented by the IIASA research team.

15.00–15.30 Coffee/tea break

15.30–17.30 Plenary session lead by Peter Duinker and Vladislav Vorob’ev

1. The regional program “Sustainable development of the timber industry complex of Tomsk region” is presented by the research team of Tomsk.

2. Discussion. The purpose is to identify what the Russian participants see as the main problems besetting the forest sector in Tomsk.
**Thursday, 15 June**

9.00–9.30  Plenary session lead by Peter Duinker and Vasily Chomin.

   Peter Duinker presents a synthesis of the problem set and establishes a number of working groups in which the Russian participants will discuss the problems.

9.30–12.30  Group work/discussions among the Russian participants.

12.30–14.00  LUNCH

14.00–15.00  Representatives of the groups inform about the outcome of the discussions in their respective groups (“debriefing”).

15.00–15.30  Coffee/tea break

15.30–16.30  Debriefing session, continued.

16.30–17.30  Discussion.

17.30–18.00  Closing of the policy exercise. Forming of working groups for continued work on solving identified issues.

19.00–  Joint dinner.

**Friday, 16 June**

9.00–10.30  The IIASA team meets with representatives of the various working groups (one at a time) to discuss the plans for their work.

10.30–12.00  The IIASA team meets with the local organizers to sum up the experiences of the policy exercise.

   Visit of the inter-region fair “Forest, Wood working, Furniture–2000”.

   Departure of the IIASA team and outside Russian participants.
Appendix 2: The Final Document

Recommendations of the International Policy Exercise
“Institutional Problems of Development of the Tomsk Forest Sector”

Tomsk, 13–16 June 2000

Constituting a significant part of the Russian forests, the forests of Tomsk Oblast are a vital natural resource of great regional, national, and global value.

Nevertheless, the Tomsk forest sector currently is in a difficult situation. Forest management is inefficient. In the last decade, timber harvests have decreased by 80%. Investments are extremely low. There are serious social problems in traditional timber-producing areas.

In a study of the forest sector in Tomsk and seven other Russian regions, conducted by the International Institute for Applied Systems Analysis (IIASA), Austria, attention was drawn to institutional shortcomings as the basic cause of the difficulties that are hampering the development of the Russian forest sector. The institutional embedding of the Tomsk forest sector is indeed the major impediment to a sustainable development of the sector. Immediate actions are needed at all institutional levels to permit and promote the development of a market-based forest economy.

An international policy workshop was held in Tomsk on 13–16 June 2000, in which 55 participants from Austria, Canada, Russia, USA, Finland, and Sweden discussed institutional problems of development of the Tomsk forest sector. The meeting was initiated by IIASA and sanctioned by the Head of the Administration of Tomsk Oblast (decree of 10 September 1999, No. 373-r). Regional participants in the exercise were members of the Tomsk regional administration, regional forest managers, forest industrialists, and business people. The IIASA researchers presented the results of their study of the Tomsk forest sector and outlined ideas on how to solve the identified development problems. The regional participants presented their views on the problems and also suggested ways to solve these problems.

In the discussions it was noted that the system of forest sector management that was inherited from the Soviet Union, today more than during Soviet times is characterized by a disconnection between administrative departments and a preoccupation with solving problems without due consideration of how the consequences might affect other departments, which is of special importance under the new market conditions and the various types of ownership. Thus, there is a need for a comprehensive view and a reestablishment of strong and efficient links between forest management, the forest industry, science and education.

It was also noted that the primary role of government should be to create a stable political and economic environment that permits and encourages private companies to be formed and to flourish. It is important for the government to limit the activities of the bureaucracy to matters relating to political decisions, preventing direct interference with the economic activities of enterprises. This way it will be possible to reduce the number of administrators and make government work more efficiently. The government should support a relevant diversity of property forms and types of production. It was noted that the efficiency of enterprises’ activities does not depend upon forms of property, but is rather crucially linked to the efficiency of management. Nevertheless, under current conditions private companies are the only efficient way of achieving a thriving market economy in the forest sector of Russia and the Tomsk region.
General Recommendations

The participants of the policy exercise recommend the following urgent measures to improve the situation in the Tomsk forest sector:

1. Work should be initiated to develop a *Regional Forest Code* for Tomsk Oblast. This code should include the legislative basis for generating an appropriate institutional framework for the Tomsk forest sector. The code should elaborate the legal and economic basis for a division of the regional forests between federal, regional, municipal and private owners. Provisions facilitating the creation of a favorable investment climate in the region are of special importance in this context. Subsequent regulations should be developed to provide for the efficient functioning of the forest sector in the new market economic environment.

2. *Mechanisms for strengthening public participation* in decision-making concerning forest management and policy are needed. This should include innovative ways of raising public awareness about the importance of forests and how they are used and managed, as well as efficient means for including society in forest policy and management decisions. For example, the public should have a chance to review and comment on the draft Regional Forest Code of Tomsk Oblast.

3. To strengthen the Tomsk forest sector, the concept of *community forest* should be reintroduced. Community forests existed in pre-Soviet times. Community forest concepts from Europe (e.g., Sweden, Italy) and North America might constitute the basis for pilot projects to reintroduce strong community forests in Tomsk Oblast.

4. It was considered essential that a comprehensive and integrated *forest management system* should be preserved, especially on the regional and municipal levels. This system has proved its vitality under the difficult conditions of the transition period.

5. A thorough analysis should be made of the implementation of the Regional Program “Sustainable Development of the Tomsk Oblast Forest Industrial Sector on the Basis of an Efficient Forest Utilization and a Comprehensive Processing of Forest Products”. On the basis of this analysis, a *new version of the Program* should be developed. The new Program should consider the issue of institutional development, the state and role of the present institutional structure, as well as plans for the realization of short- and long-term tasks, including long-term business projects.

6. An improvement of the current forest group and protective category classification should be proposed and realized based on the example of Tomsk Oblast. The classification should be transformed according to the principles of ecological inventory and planning of the territory and the forest resources in order to solve the tasks of the federal, regional, and municipal forest inventory, and sustainable forest management of this renewable resource.

7. Both the federal and the regional governments should pay serious attention to the problems of the Tomsk forest sector. One way of developing the sector might be to establish a *Consulting Council* with the Head of the Tomsk Oblast Administration charging it to deal with sector development. The Council should include all stakeholders (representatives of forest management, forest industry, forest science and education, and NGOs). Due to potential conflicts of interest, government officials should not be members of the Council, since its objective is to lobby the government to take decisive actions to improve the forest sector.

8. A *program for education and training of employees* in the Tomsk forest sector (from harvester operators to the staff of the Academy of Sciences) should be developed. The program should help make the Tomsk forest sector competitive on the domestic as well as international markets.
9. Special means should be found to raise the profile of the Tomsk forest sector. One suggestion is to try to get Tomsk named on the UNESCO World Heritage List on account of the city’s many monuments of wooden architecture and the history of Siberian colonization. This could perhaps be done in time for the celebration of the city’s 400th anniversary. If restoration and maintenance of the wooden houses were a priority in Tomsk, the city might become a world-class tourist destination and the business activities generated by this development would be considerable.

Further Research and International Collaboration

To realize many of the urgent measures listed above, the following international collaborative projects are desirable:

1. An international working group should be established to help elaborate ideas on how to redesign the institutional framework of the Tomsk forest sector thus promoting its prosperous development.

2. A program should be established to introduce the comprehensive use of remote sensing information to guide effective management of the Tomsk forest sector and the protection of the regional environment. The relevant infrastructure should be created meaning, in particular, that a receiving station for Landsat 7 and Resource should be installed (at the Institute of Atmospheric Optics of SB RAS).

3. A program should be established for the development of biodiversity and carbon budget management of ecosystems of special interest, such as the Siberian stone pine and the forest-bog complexes of Tomsk Oblast. The socioeconomic, environmental, and technological consequences of the participation of the Tomsk forest sector in the domestic and international market for environmental services, especially the carbon trade envisaged by the Kyoto Protocol, should be further analyzed.

Specific Recommendations

The Workshop recommends that the Tomsk Regional Administration take the following immediate initiatives:

1. A special research program “KEDR” (“Siberian Stone Pine”) should be established as a part of the “Program for the Development of the Tomsk Regional Forest Sector.” This program, with leadership provided by the Filial of V.N. Sukachev Institute of Forest of the Siberian Branch of the Russian Academy of Sciences, should aim to achieve the following:
   - Approval of the “Temporary Regional Harvesting Rules for Siberian Stone Pine Forests in Tomsk Oblast”;
   - Development of the background, targets, and technologies for an integrated assessment of the available Siberian Stone Pine resources; and
   - To supply more than one million m³ per year of Siberian Stone Pine wood to the forest industry and to enable a rational use of Stone Pine forests without causing environmental damage.

2. The participants of the international policy exercise recognize and acknowledge Tomsk Oblast as an important territory for the assessment and analysis of the conditions of forest bog
landscapes and especially Siberian Stone forest formations, as a test area for the development of management systems for natural resources, in particular, forests.

The participants of the policy exercise express their gratitude to the Administration of Tomsk Oblast, the Filial of V.N. Sukachev Institute of Forest, SB RAS (Tomsk), the Institute of Atmospheric Optics, SB RAS (Tomsk), the International Institute for Applied Systems Analysis (Laxenburg, Austria), and SSUE “Tomskiy LPK” for the successful organization of the exercise.

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Appendix 3: Draft of a resolution to be adopted by the Governor of Tomsk

The following list of measures recommended to be taken to stabilize the Tomsk forest sector in the years 2000–2002 is from a draft of a resolution that was to be approved by the governor of Tomsk Oblast in the autumn of 2000. The draft was sent to IIASA by Dr. Alexander S. Sulakshin, Tomsk, who had served as the local coordinator of the IIASA case study of the institutional problems of Tomsk forest sector. As late as September 2001, there was no information available on the implementation of the measures listed in this draft governor’s resolution. In fact, it seems that the draft resolution may never have been formally adopted by the Governor. At least it is not listed among the adopted resolutions on the administration’s web page at http://www.tomsk.gov.ru/. (Translation by the author.)

The following measures were proposed in the governor’s draft resolution:

- To complete the formation of large vertically integrated holding companies [the text actually says “structure”], including state participation;
- To create an advisory council on the problems of the forest complex under the auspices of the Head of administration (Governor) of the region, including representatives of forest management, forest sciences, forest education, and environmentalists;
- To revise the regional program “Sustainable development of the forest industrial complex of Tomsk Oblast on the basis of a rational forest utilization and further processing of the forest produce” and present it for consideration to the State Duma of Tomsk Oblast;
- To revive the activity of the Union of Tomsk forest industrialists (to select a managing director);
- To confirm the temporary rules for interim harvesting of cedar forests in Tomsk Oblast with the FFS and develop ways to implement those rules;
- To prepare, together with IIASA, proposals to include Tomsk Oblast in international studies concerning (a) the quota system of carbon disposal within the framework of the Kyoto protocol, (b) to include Tomsk in the UNESCO World Heritage List on account of the many monuments of wooden architecture, and (c) research on the institutional embedding of the forest complex;
- To finalize the transfer of social facilities and housing to the municipalities (relating to a federal government resolution from 7 August 1993, No. 235);
- To conduct financial analysis of the regional forest enterprises to determine (a) which ones are viable and take measures for their reconstruction, and (b) which ones are non-viable and facilitate their exit from the market;
- To compile regional and municipal orders for forest products, to speed up the development of the intraregional market through stimulating housing construction (including private housing);
- To establish a system for the training and retraining of personnel for the Tomsk forest industrial complex; and
- To develop and present to the Tomsk State Duma a draft Law “On the Tomsk Forest Complex” in which the legislative solutions to some of the problems hampering the forest industrial complex are elaborated, such as: (a) extending tax exemptions to large harvesting and processing companies corresponding to the share paid to the regional budget and the regional road fund; (b) granting delays in the payment of stumpage fees
corresponding to the part paid to the regional budget; (c) reducing stumpage fees when forest saving techniques and harvesting technology is introduced; and (d) the possibilities of using leasing rights of forest plots as guarantees for investors.
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kunskap överikt med fokus på folkhälsa.

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