

Regional Decision-Making in the Context of a Pandemic: Speed vs Cost Assessment

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ABSTRACT

The paper deals with Russian experience of regional decision-making in the context of a pandemic. The research aims to investigate approaches to decision-making in Russian regions. Research tasks are to systematize the types of regional pandemic policy and to identify approaches to a regulatory impact assessment in the context of a pandemic. The main research method is regional comparative analysis. The authors analyzed the processes of introducing and removing regional restrictions in the context of the pandemic in Russia. The result is a selection of 4 types of regional pandemic policy. The analysis of regional procedures of a regulatory impact assessment showed that changes in procedures were made in individual regions to adapt the order to pandemic conditions and to preserve the legitimacy of decision-making. Speed of regional decision-making in the context of a pandemic win cost assessment in most regions. The research results have practical significance for improving public administration in the regions today in the face of the continuing threat of the spread of the epidemic and for an effective response to pandemic shocks in the future.

Keywords: *Regional policy, regulatory environment, regulatory impact assessment, cost assessment, Russian regions, pandemic policy, COVID-19*

1. INTRODUCTION

The COVID-19 pandemic was a shock to all countries. The last decade of a turbulent economy has been characterized by a high degree of uncertainty. The heads of territories and enterprises were placed in even more unknown conditions. Managers were forced to make decisions in conditions of high threat to life and health of the population with unknown parameters of virus spread. All countries have adopted national restrictions on the activities of businesses and citizens.

Russia has a huge area with a high spatial heterogeneity of population density. Therefore, Russian President Vladimir Putin decided in April 2020 that regional leaders should set their own restrictive measures.

Regulatory impact assessment is a tool for evaluating the benefits, costs, and risks of government decision-making. This tool is well established in many countries. Regional authorities have been using regulatory impact assessment since 2014 (some regions started in the test mode earlier).

Regulatory impact assessment includes an economic analysis procedure and public consultations with regulatory recipients. Such procedures cannot be fast.

Regional authorities were forced to take urgent measures to prevent the pandemic in violation of the procedure of regulatory impact assessment often. When human life is in agenda then social benefits could prevail over economic losses [1].

The aim of the article is to study approaches to decision-making in Russian regions in the context of a pandemic.

Research tasks are:

1. to systematize the types of regional pandemic policy;
2. to identify approaches to carrying a regulatory impact assessment in the context of a pandemic and to analyze its applicability to such situations.

2. METHODOLOGY

The methodological base of the research includes theories, concepts and main provisions of the regional economy and governance.

The theory of regional economy states a high differentiation of socio-economic characteristics in space. In turn, socio-economic inequality leads to different effectiveness of containment of the pandemic in the territories and recovery rates [2].

The main method of research is regional comparative analysis. The authors analyzed the processes of introducing and removing regional restrictions in the context of the pandemic in Russia.

The paper is based on an overview of current research on the impact of the pandemic on socio-economic conditions and measures to overcome the crisis.

There are studies that reveal the relationship between the effectiveness of state and regional policies and various economic, social and political factors. Different countries demonstrated different models of regulation in this crisis situation, which was determined by demographic factors, the maturity of the governance system, the degree of society democratization and level of citizen trust in government, the level of economic development and the

quality of health care in the country [3]. The presence or absence of the necessary institutions at the national and regional levels and their readiness to respond quickly to crises also were an important factor.

Another important point is the degree of centralization of governance or the level of regionalization. A high level of centralization, on the one hand, allows to establish uniform frameworks, rules and norms, which often allows to respond more quickly to a crisis situation. However, if the government at the national level is hesitates to make a decision or ineffective, a high level of centralization will be a disadvantage.

China, the first country to face the pandemic, and despite that Chinese Government response slowly at the early stage, late they has taken rapid and very severe measures to isolate the population [4]. South Korea, Taiwan, Australia and New Zealand also were able to minimize the transmission of the virus due to quick and effective measures.

In almost all countries of Western Europe, the measures were also quite severe and led to a serious reduction in economic activity. However, the incidence and mortality rates were different in different countries. In Italy, despite the measures taken by the government, there was a high death rate. G. Capano notes that the regional institutional arrangements and the role of the central government in a pandemic have become a key aspect influencing the nature of the government's response in Italy [5]. The study highlights that in Italy, due to the frequency of natural disasters such as earthquakes and floods, a risk management policy has been developed and there is a special government structure - the Department of Civil Protection. However, there is no experience in managing extreme situations in the health sector [5]. All this proves the importance and necessity of rapid and effective coordination between various government structures in the risk management system.

In the UK and the Nordic countries, the regulatory models differed from other European countries. The UK government has not listened to the recommendations of the world health organization for a long time [6].

The Norwegian government after three weeks of draconian measures declaim that the situation was under control, as the number of hospitalized COVID-19 patients decreased and the number of deaths remained low. Experts believe that the success was due to the ability to interact at all administrative levels, in the areas of policy and sectors [7]. The record decline in economic growth was in the twenty-first century. The economic crisis has escalated all the main problems, accelerated their long-term dynamics [8] and strengthened the territorial inequalities [9].

The income of the Russian population fell during the pandemic. This led to a decrease in effective demand. This and restrictive measures led to a decrease in business income and the closure of a number of businesses.

On the other hand, the pandemic has opened up a number of opportunities for businesses that have managed to restructure their management processes. The pandemic accelerated the digitalization processes caused by the

fourth industrial revolution [10, 11]. The digital market and the volume of public digital services grew [12].

The experts identified the uneven diffusion and spread of the virus COVID-19. Mortality risks of morbidity and mortality in the regions depend on the level of wealth, the share of migrants, share of aged residents, and the quality of health care. S.P. Zemtsov, V.L. Baburin identified the regions with the highest mortality risk: the largest agglomerations (Moscow, Saint Petersburg), Northern regions with a high share of labor migrants, and southern underdeveloped regions [13].

3. RESULTS

Fear of the rapid spread of the pandemic and high mortality caused many regional leaders to impose total restrictions in April and May 2020.

Regional authority approached to removing restrictions in different ways. The authors identified four types of regional pandemic policies in Russia:

1. Long-term mass restrictions (one third of regions).
2. Long-term selective restrictions: the work of key industrial enterprises was not stopped or quickly allowed, and the work of specific consumer service companies and outdoor activities was allowed gradually (most regions).
3. Fast removal of strict restrictions (rare cases). For example, consumer and social service businesses and non-food stores have been opened in Tatarstan and Sevastopol since mid-May 2020.
4. Introduction of differentiated restrictions in the region: different restrictions for municipalities depending on the population size and distance from the administrative center (about 10% of regions).

Most regions adopted legal acts in the context of the pandemic without conducting a regulatory impact assessment. Particular regions had a loophole in the order of assessment. For example, public consultations do not take place when the Governor instructs to adopt the project urgently in the Kostroma region.

The author analyzed the regional procedures for conducting regulatory impact assessment as of end of August 2020. Only seven regions have made changes to preserve the legitimacy of decision-making (table 1). The authors divided practices into two categories: positive and negative.

We attributed simplification of the assessment procedure to the first category. The simplified procedure implies an accelerated timeframe for reviewing documents and preparing a conclusion. Three regions have shortened the timeframes of public consultations. A period of 3-5 days will not allow to reach a mass audience. However, this period will allow experts to examine the project and identify the highest risks. The expert community is adapting to the conditions of the pandemic and understands the importance of measures taken to prevent the spread of the disease. Two regions refused public consultations and left only the analytical component of the assessment. The authors want to highlight the experience of the Khanty-Mansi Autonomous Okrug - Yugra. This

region has provided for mandatory examination of acts adopted in the context of the pandemic in six months. This will allow regional authority to assess the effectiveness of the measures taken, correct possible negative consequences and make better regional decisions in the future.

We attributed the exception of assessment for acts taken in the context of a pandemic to the second category. The

exception an assessment will lead to not only underestimating risks and economic losses. Excluding an assessment based on a pandemic is contrary to Federal law. The Federal law on regulatory impact assessment establishes a closed list of exceptions. The author considers the lack of adaptation of the assessment procedure as a negative practice too.

Table 1 Practices of adaptation of the assessment procedure to the decision-making environment in the context of a pandemic

Region	Legal act	Content of changes in the procedure of regulatory impact assessment of projects of legal acts developed in the context of a pandemic (under high-alert conditions)
Positive practice (in terms of decreasing safety of the principles and advantages of regulatory impact assessment)		
Kabardino-Balkar Republic	Resolution of the government of the Kabardino-Balkar Republic of June 22, 2020 № 136-PP	Simplified procedure, reduced timeframe to 5 days, public consultations have been preserved
Novosibirsk region	Resolution of the Governor of the Novosibirsk region of May 25, 2020 № 85	Simplified procedure, reduced timeframe to 5 days, public consultations have been preserved
Krasnodar region	Resolution of the head of administration (Governor) Krasnodar region of May 27, 2020 № 302	Simplified procedure, reduced timeframe to 3 days, public consultations have been preserved
Khanty-Mansi Autonomous Okrug - Ugra	Resolution of the government of the KhantyMansi Autonomous Okrug - Ugra of July 10, 2020 № 292-p	Provides for a special procedure without public consultations and additional examination of acts adopted in a special order under high alert conditions in 6 months
Novgorod region	Resolution of the government of Novgorod region of June 11, 2020 № 270	Simplified procedure without public consultations
Negative practice		
Republic of Mordovia	Resolution of the government of Republic of Mordovia of June 25, 2020 № 378	Exception of regulatory impact assessment for acts taken in the context of a pandemic
Kamchatka territory	Resolution of the government of Kamchatka territory of May 18, 2020 № 199-II	Exception of regulatory impact assessment for acts taken in the context of a pandemic and for economic recovery measures

All countries and regions are providing support measures for economic recovery; the total amount of support in a number of countries was quite impressive and reached a significant share of GDP. For example, Germany has allocated EUR 1 trillion to counter the impact of COVID-19 on the economy, Sweden - EUR 62 billion, which was about 13 percent of GDP. In France, a fiscal package was offered EUR 16.5 billion for households and firms (0.7% of GDP); EUR 48.5 billion (2.0% of GDP) were allocated for early reimbursements of tax credits [14]. Government support for businesses and the public during the pandemic includes both direct and indirect measures. The goal is, on the one hand, to support the enterprises most affected by the crisis, on the other hand, to support the population, maintain employment, and mitigate the consequences of unemployment. Measures may include various benefits for businesses and payments to the public. Most countries use a combination of both.

Russian government formed the list of affected industries and offered financial support to families with children under 16, as well as the self-employed. Companies, which were included in the list of affected industries, receive assistance if they registered their activities in accordance with the classifier of activities. However, experts note that, first, related industries have also suffered, and secondly, the main revenue of the enterprise does not always correspond to the registered type of activity. An accelerated recovery from the crisis requires a flexible tax policy [15-17]. A more detailed analysis of the affected business and often targeted support is needed.

4. DISCUSSION AND CONCLUSION

The removal of restrictions across the country started after a decrease in the number of daily registered cases in

Moscow from July 2020. At the same time, it should be noted the wave-like diffusion of the virus across the country. Sharp spikes in morbidity in turn with significant time lags occurred in: Moscow – megacities – regional capitals – large regional centers – the periphery of regions. Therefore, the authors consider that the orientation of regional leaders on Moscow statistics is incorrect and pandemic the policy of the fourth type (space-differentiated restrictions) is the most effective.

Russian scientists have presented researches on the problems of features and development of various types of settlements [18]. Policies for large cities, megacities, and small cities should be different and based on research results.

The use of big data, artificial intelligence, and other digital technologies could improve the quality of virus prediction and the effectiveness of decision-making [19]. Moscow and the some regions used digital passes. It created a huge massive of data. This is an example of the successful use of digital technologies for managing a pandemic. However, civil society was dissatisfied with the security of data storage and the violation of personal rights and freedoms. The limits of the applicability of digital

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- technologies remain a debatable issue in the scientific, political and civil communities.
- The mass refusal to conduct a regulatory impact assessment in the context of a pandemic showed that cost assessment lost out to speed of regional decision-making. The authors has identified several positive practices for simplifying the procedure for conducting regulatory impact assessment.
- The authors positively estimate the preservation of a simplified order of regulatory impact assessment and public consultations in individual regions. This approach allowed regional authorities to maintain a balance between minimizing economic costs and maximizing social benefits, and to support such basic principles of assessment as publicity and transparency. From the authors ' point of view, the examination of acts in six months after their adoption will allow to assess the effectiveness of measures, correct possible negative consequences and make more competent regional decisions in the future.
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