

Policy Implementation in Post-Soviet States: A Comparison of Social Benefits Reform in Russia and Kazakhstan

Elena Maltseva
PhD Candidate
Department of Political Science
University of Toronto
E-mail: elena.maltseva@utoronto.ca

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Abstract: Concerned with the question of why governments display varying degrees of success in implementing social reforms, (judged by their ability to arrive at coherent policy outcomes), my dissertation aims to identify the most important factors responsible for the stagnation of the social benefits reform in Russia, as opposed to its successful implementation in Kazakhstan.

Building upon the classic structure versus agency dilemma, I argue that although structural factors did, to a certain degree, influence the course of social benefits reform in these two countries, the effectiveness of policy implementation was ultimately determined by the capacity of state actors to act cohesively and form a policy coalition that could further the reform agenda despite various political and socioeconomic obstacles. In the case of Kazakhstan, the successful implementation of the social benefits reform was a result of a bold and skillful endeavour by Kazakhstani authorities, who used the existing conditions to achieve the reform's original objectives. By contrast, in Russia, the failure to effectively restructure its social welfare system was rooted largely in the political instability of the Yeltsin era, and a lack of commitment to the reforms. And when the reform was finally launched, its ill-considered policies and the government's failure to form the broad coalition required to implement them led to public protests and subsequent reform stagnation. In short, the proposed study aims to refine the existing theory of state capacity and add important details to the central puzzle in the literature on public policy, that is, when and why policies change.

1. Introduction

As the countries of the former Soviet Union were trying to make their difficult transition from Communism, several socioeconomic, political and institutional reforms were launched to consolidate the newly established political regimes. However, as time passed, many of these reforms failed to deliver results, and scholars grew puzzled about what went wrong in the process. It was believed that the difficulties encountered by the states were the consequence of inadequate and poorly designed policy programs, and that if they had been designed correctly, no fundamental challenges to their implementation would have existed. This assumption has since been challenged on the grounds that similar policies implemented in different socioeconomic, political and institutional settings displayed varying degrees of success. This fact motivated policy analysts to shift the focus of attention from policy formulation to policy implementation and re-examine the assumptions underlying the nature of public policy and the context in which it unfolded. It has since been accepted that successful policy implementation depends not only on its initial design, but also on several other factors such as the timing, speed and sequencing of reforms, the mode of interaction among various actors, the socioeconomic, political and institutional context, and the capacity of the state to manage these relationships in such a way as to achieve the reform's objectives.

An interesting example of a reform with similar policy objectives but different policy outcomes is the case of the social benefits reform in Kazakhstan and Russia. Following the collapse of the Communist regime, the two countries inherited an extremely complex and costly welfare system. Both governments realized that the Soviet-era social welfare system required fundamental changes that would ease the financial pressure felt by the states in the short term, and bring their welfare systems in line with the demands of a market economy. Kazakhstan was the first to reform its welfare system. The government quickly achieved its short-term financial and organizational objectives: it cut all non-monetary and even some monetary social services, minimized the percentage of people eligible for receiving social assistance, and thus helped to somewhat relieve the fiscal burden faced by the state during a time of economic crisis. In the long term, the government focused on strengthening social assistance programs, trying to bring Kazakhstan's new welfare system in line with a market economy, wherein the majority of citizens would take responsibility for their own well-being. With a lowered degree of state financing in social programs, and strong links between social policy and political and

developmental objectives, the new welfare system perfectly fit Kazakhstan's developmental model.

In contrast to Kazakhstan, Russia's social benefits reform came much later, was much more costly and far less efficient in terms of changing the existing welfare system. The Yeltsin administration, caught between a deep economic crisis and a strong political opposition embodied by the Communist Party, opted to postpone any fundamental welfare reforms. Fearing an escalation of public protests, the government designed ad hoc, often populist social welfare policies which, instead of contracting the costly welfare system, expanded it. This situation changed with the first administration of President Vladimir Putin. Putin launched a complete restructuring of Russia's outdated social welfare system, beginning with the old-age pension reform in 2001. Three years later, the government finally passed federal law Nr. 122, known as "monetization of social benefits", which in many aspects resembled the Kazakhstani social benefits reform. However, despite the Russian reforms being conducted under the resolute leadership of Vladimir Putin, under stable political, socioeconomic and institutional circumstances, the government has failed to achieve the desired results.

This raises the question of how Kazakhstan, amidst a deep economic recession and institutional disarray, was able to launch a successful restructuring of its social benefits system, whereas the Russian government failed to do so, even with the luxuries of economic stability and strong political leadership. More intriguing still, is the fact that both countries are considered soft authoritarian regimes, in which the vertical structure of power allows the executive branch to control both the judiciary and the legislature, thus ensuring that law follows the whims of the two Presidents. Logistically, such a centralized system had to make the legislature and regional leaders more cooperative in implementing radical welfare reforms. The Russian government believed that the stage was set for radical welfare reforms, and that the results would be more impressive than in Kazakhstan.

I argue that the effectiveness of policy implementation was ultimately determined by the capacity of state actors to act cohesively and form policy coalitions that could advance the reform's original objectives despite various political, organizational and socioeconomic obstacles. In case of Kazakhstan, the successful implementation of the social benefits reform was the result of bold and skillful actions by Kazakhstani authorities. They clearly identified the problems, formulated the objectives of the reform, evaluated the prospects for their implementation, and reinvented Kazakhstan's social welfare discourse in such a way that it was easy to re-place the old Soviet in-kind social benefits with monetary compensations. Conversely, in Russia, the state's failure to restructure its social welfare system had much to do with the political ineptitude of the Yeltsin government and the lack of commitment to reform on part of the key actors. The subsequent welfare reform, in light of the government's inability to form a broad coalition and gain public support, instead resulted in reform stagnation.

The paper is organized in four sections. After a brief discussion of key theoretical concepts, I will provide an outline of the Soviet and post-Soviet welfare systems in Russia and Kazakhstan. In the third section, various factors that have influenced the implementation of the social benefits reform in Russia and Kazakhstan will be discussed. The paper concludes with a summary of major research findings and, since this is an evolving project, an overview of issues that still need further examination.

2. Policy Implementation in the Post-Soviet States: Defining Major Concepts

Jeffrey Pressman and Aaron Wildavsky defined policy implementation as an "interaction between the setting of goals and actions geared to achieve them".¹ They emphasized the

¹ Jeffrey L. Pressman and Aaron Wildavsky, Implementation (Berkeley: University of California Press, 1973), p. xv.

complexity of the implementation process and argued that “our normal expectation should be that new programs will fail to get off the ground and that, at best, they will take considerable time to get started. The cards in this world are stacked against things happening, as so much effort is required to make them move. The remarkable thing is that new programs work at all.”²

The complexity of the implementation process stems from the fact that policy outcomes are never the result of single factors. Rather, policy implementation is a function of interaction among several variables, including the nature of the problem being addressed, the institutional, political and social context in which the policy is to be implemented, the nature of the implementation process itself, and the ability of the policymakers to link these variables together in such a way so as to advance the reform’s original objectives.³

Many analysts emphasize that a newly implemented policy will never fully correspond with the reform’s original objectives, and that even successful implementation does not guarantee that the reform will achieve the original goals. In this paper, I relied on a straightforward understanding of policy implementation and policy outcome. Policy outcome was viewed as the end product of policy implementation. The degree of policy change was determined based on a comparison of expected and actual policy outcomes. In both the Russian and Kazakhstani cases, the expected policy outcome was fundamental policy change, which presupposed a complete restructuring of an entire welfare system. However, given the complexity of the original task and the difficulty of attaining the desired outcome, it would be unwise to stamp a social welfare reform as being unsuccessful if it failed to radically restructure the existing system. This is because, in the long-run, the reform may well lead to fundamental changes, which one could not foresee when assessing it.

Another problem was to define success. Did a reform improve the original condition? Was its impact negligible in the end? Or did it cause a worsening of the original conditions? These questions raise several others, such as whether we should evaluate policy success with a short-term or a long-term vision in mind. Also, should success be measured relative to similar reforms in other countries, or is such a comparison useless due to contextual criteria? Finally, the evaluation of reform success in Kazakhstan and Russia depends on who is asked. If we speak to ordinary recipients of welfare services, then we would likely hear strong criticisms of the implementation process and the outcomes of welfare reforms, thus giving the impression that the process was a colossal failure. In contrast, no consensus has been formed among scholars on the outcomes of the Kazakhstani and especially the Russian welfare reforms.

This said, when evaluating the degree of policy change and its success, I will rely on my knowledge of welfare reforms in other post-Soviet countries. A government will be considered successful if, within a reasonable period of time, it was able to streamline its new welfare system and minimize its welfare expenditures, leaving the state’s fundamental social responsibilities in place.

3. Soviet and Post-Soviet Social Welfare Regimes in Russia and Kazakhstan

The Soviet social welfare system guaranteed Soviet citizens basic socio-economic and labor rights, thus adhering to the principle of universal social welfare provision. It meant that the state provided access to a remarkable range of goods and services including universal primary education and free health care, subsidized housing, centralized provision of water, heat and sanitation for residents in urban areas, full employment with remarkably small wage differentials, and a guaranteed retirement income. At first glance, such a universal system of

² Ibid., p. 109.

³ On the complexity of the implementation process see George C. Edwards, Implementing Public Policy (Washington: Congressional Quarterly Inc., 1980), pp. 7-14.

social protection facilitated equalization of the Soviet society in terms of everyone's access to basic social goods and services.

The credibility of such a welfare system was enhanced with the help of Communist ideology, which continuously emphasized its humanitarian and egalitarian principles. However, in reality these egalitarian principles were compromised by other policies, such as the practice of offering privileges to certain groups of the population that were regarded as pillars of the communist system. Moreover, the collectivist ideology excluded from welfare services those people who were seen as parasites and speculators. In other words, social privileges were distributed according to class as a reward for merit or service, and receiving them went hand in hand with work performance, loyalty, discipline and productivity.

In short, the Soviet system of social privilege fulfilled two important functions. On the one hand, it offered special privileges to certain groups of the population including military personnel, war veterans, and workers with work record in harsh climatic or working conditions. The recognition of one's status or service was usually expressed in the form of personal pensions or social privileges usually awarded in kind rather than as cash, i.e. privileged access to treatment in various sanatoria in the Crimea. On the other hand, the Soviet welfare system provided some social protection to individuals and families who were unable to adequately provide for themselves such as disabled people, families with many children, single-parent families, etc. However, the humanitarian aspect of social privileges was residual. The official rhetoric accompanying the system of social privileges rarely associated them with deprivation or classed them as assistance. Rather, it described them as a reward or fair entitlement. As a consequence, the possession of privileges became a significant source of personal pride as they indicated official recognition of one's status and service.

3.1. Reforming Kazakhstan's Welfare System

While the Soviet economy could sustain such a vast and expensive welfare system, the collapse of the Soviet Union and the transition to capitalism resulted in the fundamental retrenchment of all existing social programs. Following its declaration of independence in December 1991, Kazakhstan went through a deep economic recession characterized by high levels of inflation, unemployment and poverty rates.⁴

In the beginning of transition, it was believed that most social problems would be resolved once the state addressed vital economic problems such as inflation, falling production rates, etc. Armed with this logic, the Kazakhstani government concentrated on economic reforms aimed at liberalizing the economy, privatizing its small, medium and large-scale enterprises, and reforming Kazakhstan's banking sector. Naturally, the economic reforms were accompanied by the emergence of unemployment. As unemployment emerged, the government established a system of employment services including cash benefits, training and job placement.⁵ Thus, in the initial transition, the major concern was strengthening the capacity of the employment agencies to deal with a surge of displaced and unemployed workers.⁶

However, as time passed, the Kazakhstani authorities realized that many of Kazakhstan's economic problems, such as a serious fiscal deficit, could not be resolved unless the government

⁴ World Bank, Human Development Sector Unit, Europe and Central Asia Region, Kazakhstan: Living Standards During the Transition (Report No. 17520-KZ, March 23, 1998), available at http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1998/03/22/000009265_3980623151019/Rendered/INDE X/multi_page.txt.

⁵ Ibid.

⁶ Similar priority trends were found in other transitional countries. See World Bank, The Operations Evaluation Department, Social Protection and the Transition, by Lawrence H. Thompson (October 2004), available at http://www.worldbank.org/ieg/transitions/economies/docs/social_protection.pdf.

went ahead with reforming its entire welfare system. As a consequence, the government introduced a tight fiscal policy and launched a welfare reform. The transformation of Kazakhstan's social welfare system started in 1994 with the radical retrenchment of welfare programs and monetization of in-kind social benefits. The government cut several social assistance programs, arguing that it was a temporary measure necessary to overcome the initial difficulties of economic transition. In March 1994, the President of Kazakhstan, Nursultan Nazarbaev, issued a decree that suspended several forms of social assistance to the victims of nuclear tests in Semipalatinsk, ecological catastrophe in Priaral'ie, mass political repressions, etc., until 1997.⁷ Furthermore, several resolutions were signed, which replaced in-kind social benefits with monetary compensations.⁸ These changes touched several groups of the population including people disabled during World War II, workers of the home front, families with four and more children, etc.

Nevertheless, the retrenchment of the welfare state did not mean that social welfare programs completely dried out. Instead, the government tried to restructure the system in such a way that social assistance would target poor households only. However, the problem with these targeted assistance programs was that the payments were generally small in value and often delayed due to lack of resources. Moreover, the targeting mechanism was inefficient due to the multiplicity of small benefits programs and the non-transparency of the administration process.⁹ All these negative aspects of the reform contributed to the fact that in 1996, over 60 percent of poor households eligible for some type of social assistance received no social assistance at all.¹⁰

In short, the Kazakhstani government quickly attained its short-term objectives: it cut several non-monetary and monetary social programs, minimized the percentage of people eligible for receiving social assistance, and thus helped to somewhat relieve the financial burden faced by the state during a time of economic crisis. In this sense, the reform was successful. However, the reform has failed to adequately address the needs of the most unprotected group of society. As well, inflation, payment delays and problems in administration of social benefits have significantly minimized the effectiveness of targeted social assistance programs.

The next step was taken in 1996, when, in response to rising utility prices, the government designed a housing allowance scheme that granted compensations for utilities and maintenance expenditures. This was available only to those households whose utilities and maintenance expenditures were above a certain proportion of their income for a pre-determined maximum floor space.¹¹ One year later, in April 1997, the government offered various groups of the

⁷ "Ukaz Prezidenta Respubliki Kazakhstan ot 20 marta 1994 goda N1612 "O merakh po uporiadocheniiu l'gotirovaniia i kompensatsionnykh vyplat"," in Zakonodatel'stvo: Pensii i posobiia (Almaty: Iurist 2008, CD-ROM).

⁸ "Postanovlenie Kabinetov Ministrov Respubliki Kazakhstan ot 27 apreliia 1994 goda #437 "O l'gotakh (denezhnykh kompensatsiakh) sotsial'no zashchishchaemym kategoriim naseleniia (s izmeneniiami, vnesennymi postanovleniem Kabinetov Ministrov RK ot 03.08.94 g. # 873)"," in Zakonodatel'stvo: Pensii i posobiia (Almaty: Iurist 2008, CD-ROM).

⁹ Interview with Pustorzhevskaiia Alla Sergeevna, The Chair of the Social Movement "The Association of Retired People of Astana", June 19, 2008, Astana, Kazakhstan.

¹⁰ World Bank, Human Development Sector Unit, Europe and Central Asia Region, Kazakhstan: Living Standards During the Transition (Report No. 17520-KZ, March 23, 1998), available at http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1998/03/22/000009265_3980623151019/Rendered/INDE X/multi_page.txt.

¹¹ "Postanovlenie pravitel'stva respubliki Kazakhstan ot 12 apreliia 1996 goda No.437 "O perekhode na novye printsipy oplaty soderzhaniia zhil'ia i kommunal'nykh uslug"," in Zakonodatel'stvo: Pensii i posobiia (Almaty: Iurist 2008, CD-ROM). See also World Bank, Human Development Sector Unit, Europe and Central Asia Region, Kazakhstan: Living Standards During the Transition (Report No. 17520-KZ, March 23, 1998), available at <http://www->

population, including war veterans, military personnel and their families, invalids (groups I, II and III), individuals who have been exposed to radiation, victims of political repressions, “hero” mothers and orphans, a transitory option of choosing between non-monetary services and monetary compensations.¹² In the majority of the cases, the government provided eligible citizens either with a discount on housing, communal services, telephone and transport fees, or with a monetary compensation which, in theory, had to cover the service for which it was provided.¹³ The final move was made on 1 January 1998, when all in-kind social benefits were replaced with monetary compensations. From now on, all citizens had to pay for their communal, housing, transportation, telephone, electricity and other services by themselves and, if eligible for some type of social assistance, they would be reimbursed for the incurred expenses.

To note, the social benefits reform was met with a certain degree of resistance.¹⁴ As Kazakhstan’s financial crisis worsened, demonstrations and hunger strikes to protest pension and wage issues, the lack of adequate social protections, and rising food and utility costs spread across the country.¹⁵ The majority of these protests occurred in urban areas, while the rural areas remained politically passive. However, even in urban areas, these protests were rather modest, especially if compared to the wave of protests that engulfed the Russian Federation during the 2005 monetization reform.

A possible explanation for the relatively low level of public protest is that Kazakhstan’s social benefits reform was conducted simultaneously with a number of other policy initiatives such as the pension reform, the education reform, the judicial reform, the housing reform, and the expensive relocation of the capital from Almaty to Astana.¹⁶ These socioeconomic difficulties had, no doubt, de-mobilized the masses to some degree. However, these difficulties also gave the welfare reforms a new legitimacy for citizens, as new measures were clearly required for the newly independent state to survive. Finally, given Kazakhstan’s soft authoritarian political regime, it was easy for the Kazakhstani authorities to stir the social welfare discourse in the needed direction.

The inefficiencies of the reforms were addressed in 1999 when the government tried to streamline the existing social assistance programs. It consolidated its social assistance programs into three categories: state social allowances, special social allowances and targeted social assistance.¹⁷ State social allowances included disability allowance, social payments paid to all

wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1998/03/22/000009265_3980623151019/Rendered/INDEX/multi_page.txt.

¹² “O vnesenii izmenenii i dopolnenii v nekotorye zakondatel'nye akty respubliki Kazakhstan po voprosam uporiadochenia predostavlenia l'got ot del'nym kategoriiam grazhdan,” *Kazakhstanskaia Pravda* (Almaty, April 3, 1997), p. 2.

¹³ Ibid.

¹⁴ World Bank, Social Protection Unit, Human Development Network, *Kazakhstan: An Ambitious Approach to Pension Reform*, by Emily S. Andrews, available at <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Pensions-DP/0104.pdf>. Sergei Nesterenko, “Pozadi reformy, vpered i reformy: kogda zhe normal'no rabotat'-to budem?,” *Kazakhstanskaia Pravda* (Almaty, August 6, 1998), pp. 1-2.

¹⁵ Interview with Zauresh Battalova, ex-senator and leader of the oppositional movement, June 18, 2008, Astana, Kazakhstan. See also Heather Clark, “No bread, no money – irate pensioners take to Kazakh streets,” *Agence France-Presse* (July 4, 1999).

¹⁶ Andrei Larin, *Kazakhstan: the exemplary experience of transformation*, available at http://www.apn-kz.ru/?chapter_name=advert&data_id=32&do=view_single.

¹⁷ World Bank, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, *Kazakhstan: Dimensions of Poverty in Kazakhstan. Volume I: Policy Briefing* (Report No. 30294-KZ, November 9, 2004), available at http://siteresources.worldbank.org/INTKAZAKHSTAN/Resources/Poverty_Assessment_Vol1.pdf.

eligible family dependents of the deceased breadwinner, and old age pensions.¹⁸ Special state allowances were designed for various groups of the population, and related to payment for housing maintenance and utilities, fuel, telephone, medicines, glasses, public transportation, periodical subscription, etc.¹⁹ These special state allowances were paid to the following eligible categories: veterans of the Great Patriotic War, the disabled, individuals who participated in the liquidation of Chernobyl catastrophe, families of military deceased in service, individuals awarded orders or medals, victims of political repressions, mothers and families with many children.²⁰

Finally, the already existing targeted social assistance program has been slightly modified to better address problems of efficiency. The program has adopted better targeting methods and tailored the size of the assistance to a household's individual circumstances. The main eligibility criteria for this program are now the family's poverty status, strengthened by a self-targeted work-test requirement.²¹ In trying to raise the effectiveness of this poverty program, the government has devolved its financial arrangements to the regional level. The targeted social assistance program is now the only social assistance program financed solely from local budget revenues. Such fiscal decentralization is problematic, as poor oblasts in general have lower revenues and greater needs of social benefits programs. At present, the system allows for the regions to receive transfers from the central budget in order to supplement their resources for the targeted social assistance program, but such arrangements are ad hoc and not a part of a legislated, predictable financing mechanism. This issue of under-financing is a potentially serious one for Kazakhstan given the large regional differences in poverty rates and should be addressed as quickly as possible.²²

In short, over the last several years the government of Kazakhstan has consistently worked on strengthening the sustainability and effectiveness of its new welfare system. Not only was the government able to make the system financially sustainable, it also addressed the problem of social justice. The targeted social assistance program proved to be an important tool in assisting the poor, despite some obvious problems of efficiency and effectiveness at the beginning of the reforms.

3.2. Reforming Russia's Welfare System

In contrast to Kazakhstan, Russia's social benefits reform came much later, was much more costly and remarkably less efficient. When communism collapsed, the Russian government faced a deep political, social, economic and national identity crisis, in some ways more dramatic than in any other post-Soviet republic. Problems of poverty, inequality, unemployment and rapid depopulation were aggravated by a crisis of social protections, ineffective social policy and the absence of deep structural changes in the welfare system. Additionally, the socioeconomic crisis breathed new life into political opposition such as the CPRF, which decried the path of Russia's post-Communist reforms and called for the resignation of Yeltsin's government.

Caught in-between a deep economic crisis and national condemnation, the Yeltsin government postponed any fundamental restructuring of the existing welfare system. Fearful of

¹⁸ "Postanovlenie pravitel'stva respubliky Kazakhstan ot 12 maia 1999 goda No. 568, "Ob utverzhdenii pravil o naznachanii i osushchestvlenii vyplaty gosudarstvennykh sotsial'nykh posobii po invalidnosti, po sluchaiu poteri kormil'tsa i po vozrastu"," in Zakonodatel'stvo: Pensii i posobiia (Almaty: Iurist 2008, CD-ROM).

¹⁹ "Zakon respubliky Kazakhstan ot 5 apreliia 1999 goda No. 365-I, "O spetsial'nom gosudarstvennom posobii v respublike Kazakhstan"," in Zakonodatel'stvo: Pensii i posobiia (Almaty: Iurist 2008, CD-ROM).

²⁰ Ibid.

²¹ World Bank, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, Kazakhstan: Dimensions of Poverty in Kazakhstan. Volume I: Policy Briefing (Report No. 30294-KZ, November 9, 2004), available at http://siteresources.worldbank.org/INTKAZAKHSTAN/Resources/Poverty_Assessment_Vol1.pdf.

²² Ibid.

the possible escalation of civil protests, the government designed ad hoc and often populist social welfare policies that, instead of contracting the costly welfare system, expanded it.²³ By the end of the 1990s, more than two-thirds of Russia's 148 million people were entitled to various kinds of social privileges. According to various accounts, by 1999, there were over 150 types of social protection covering 236 categories of the population at the federal level alone. In addition to federal social programs, there were several social programs at the regional and local levels. In Moscow, for example, 70 categories of the population, accounting for 60% of the city's inhabitants, had the right to use municipal transport free of charge or with substantial discounts.

One of the main reasons behind such a rapid expansion of social benefits was that the government faced the urgent need to voters' sympathies amid a highly confrontational political environment and a deepening economic crisis. In these circumstances, the authorities preferred not to index monetary benefits but invent new kinds of non-monetary assistance.²⁴ All governmental attempts to develop a sustainable welfare policy while slashing benefits failed in Russia's left-leaning parliament, which blocked any drafts aimed at rolling-back the existing social welfare system.²⁵ In these circumstances, to gain the sympathy of the average voter, the Yeltsin government had no other choice but to expand non-monetary social benefits.²⁶

Despite its expansiveness, the system failed to provide an adequate level of social protection for the poor. By 1999, nearly 38 per cent of the Russian population lived in poverty. This represented a jump of more than 15 percentage points from January of the previous year, and a sharp increase from the official annual poverty rate of about 21 per cent in 1997 – the lowest one recorded during the transition period. This figure declined to slightly more than 26 per cent by the end of 1999, leaving over 40 million people in poverty.²⁷ Other research findings indicated that the poverty rate may have been even higher. According to RLMS data, more than one-half of the population was poor by the end of 1998.

In short, the main drawbacks of Russia's welfare system of the late 90s were lack of proper reforms, ill-considered targeting of benefits, and the excessive generosity of the system. The huge number of beneficiaries made the system cumbersome and difficult to manage, particularly since people were able to receive duplicate privileges due to the low level of transparency.²⁸ Substantial budget resources were spent on financing the privileges for the non-poor, and the amount of privileges received by the better-off and low-income people hardly differed, which increased vertical inequity.²⁹

²³ In particular, the federal laws "On State Pensions of the RSFSR", "On additional protection of motherhood and childhood", "On social protection of invalids in the Russian Federation", "On veterans" and many other passed between 1990 and 1995 officially expanded the social responsibilities of the Russian government. Moreover, the government extended the social benefits coverage onto new categories of people such as the Chernobyl victims and rehabilitated victims of Stalin-era repressions. Further, the government introduced several other welfare programs that addressed specific problems of the transitional period such as increasing poverty rates, high level of unemployment, forced migration, escalation of ethnic conflicts, etc. M.L.Zakharova and E.G. Tuchkova, Pravo sotsial'nogo obespecheniia Rossii (Moscow: Wolters Kluwer, 2005), pp. 27 and 53-54.

²⁴ Ibid.

²⁵ "Duma committee set to recommend rejecting bill on budget cuts," BBC Monitoring Service: Former USSR (May 16, 1997). Phillip Fletcher, "Russian Duma rejects spending cuts, government pushes on," Reuters News (June 23, 1997). Christian Lowe, "Duma Rejects Bill to Slash Budget Spending," The Moscow Times (Moscow, June 24, 1997).

²⁶ "RSFSR Supreme Soviet abolishes privileges," BBC Monitoring Service: Former USSR (July 21, 1990).

²⁷ The Social Crisis in the Russian Federation (OECD, 2001), p. 39.

²⁸ Anastassia Alexandrova, Polina Kuznetsova and Elena Grishina, "Reforming In-kind Privileges at the Regional Level in Russia: Political Decisions and Their Determinants," in Fighting Poverty and Reforming Social Security: What Can Post-Soviet States Learn From the New Democracies of Central Europe?, edited by Michael Cain, Nida Gelazis and Tomasz Inglot (Washington, DC: Woodrow Wilson International Center for Scholars, 2005), p. 177.

²⁹ Ibid.

The situation changed with the arrival on the Russian political scene of Vladimir Putin. Putin launched a complete restructuring of Russia's outdated and unsustainable welfare system, beginning with the old-age pension reform in 2001. Three years later, the government initiated a reform known as the monetization of social benefits. This reform pursued several objectives, namely cutting down welfare expenses, rationalizing an otherwise expensive and inefficient social benefits system, and addressing the incoherent distribution of responsibilities for social welfare within the various levels of government.³⁰

The federal law Nr. 122 passed in the summer of 2004 took effect on 1 January 2005. However, the law turned to be so incredibly long and complex that Duma deputies raised concerns about the difficulty of understanding it in all details.³¹ The law made changes to 155 legislative acts and annulled 41 acts of legislation.³² It is no wonder then, that few citizens actually understood all aspects of the law and how it would really affect them. Thus, even at its very conception, the law created more ambiguities than transparency.

Federal law Nr. 122 divided financial responsibilities between the federal government and the regions, and established that most in-kind benefits were to be replaced with cash benefits. The reform split beneficiaries into two groups: federal and regional. The federal group included war veterans, the disabled, residents of the Leningrad blockade during WWII, relatives of war veterans in the case of their death, survivors of Nazi camps, individuals exposed to radiation, etc. The social protection of these people was now the responsibility of the federal government. For this group, the government provided an amount of monthly cash payments, which replaced the old social benefits and the remaining in-kind assistance to which they were entitled.³³ To ensure that the monthly payments were sufficient to cover the costs of services, the government promised to index them regularly.³⁴ The second group of recipients, meanwhile, included veterans of labor, victims of political repression, home front workers during World War II, and many others. This group was to be financed entirely by the regions.

The government envisioned a gradual transition from one social welfare system to another. According to the original plan, during the first year, some benefits such as subsidized housing would remain unchanged for some categories of people. Other social services such as free health care and prescription drugs, visits to sanatoria, and transport privileges were also included in the 'social package'. They could be provided either in the form of in-kind social services, or be replaced with monetary compensation.³⁵ The second stage in the reform process entailed a complete shift from a dual-track to a fully monetized social welfare system. However, due to the vigorous public protests against this reform, the implementation of the second stage of the reform was postponed indefinitely.

The reorganization of financial responsibilities between the federal and regional governments was seen as an opportunity to make the operation of the welfare system more

³⁰ Ibid., p. 121.

³¹ Olga Tropkina, "Gosudarstvennaia Duma primet zakonoproekt o monetizatsii l'got v pervom chtenii," Izvestiia (Moscow, 3 July 2004).

³² A.V. Udalova, Pravo sotsial'nogo obespecheniia (Moskva: Omega-L, 2008), p. 176.

³³ Anastassia Alexandrova, Polina Kuznetsova and Elena Grishina, "Reforming In-kind Privileges at the Regional Level in Russia: Political Decisions and Their Determinants", p. 121. See also G.A. Sokolova, Vse o l'gotakh: monetizatsiia i mery sotsial'noi podderzhki (Moscow: Market-DS, 2006), pp. 16-17.

³⁴ "O vnesenii izmenenii v zakonodatel'nye akty Rossiiskoi Federatsii i priznanii utrativshimi sily nekotorykh zakonodatel'nykh aktov Rossiiskoi Federatsii v sviazi s priniatiem federal'nykh zakonov 'O vnesenii izmenenii i dopolnenii v federal'nyi zakon 'Ob obschchikh printsipakh organizatsii zakonodatel'nykh (predstavitel'nykh) i ispolnitel'nykh organov gosudarstvennoi vlasti sub'ektov Rossiiskoi Federatsii' i 'Ob obschchikh printsipakh organizatsii mestnogo samoupravleniia v Rossiiskoi Federatsii,'" Rossiiskaia gazeta (Moscow, 31 August 2004), pp. 1-21.

³⁵ G.A. Sokolova, Vse o l'gotakh: monetizatsiia i mery sotsial'noi podderzhki, p. 16.

transparent, more efficient, and better focused on the poor. The law postulated that from then on, the regions would have full freedom to change the old system of social protections to reflect local realities. However, several problems have undermined the primary objectives of this reform. Most importantly, the delineation was not accompanied by an adequate injection of financial resources from the federal budget. As the regions were given responsibility for larger groups such as veterans of labor, they experienced greater difficulty in matching their obligations with adequate resources.³⁶ This has led to the stratification of social welfare recipients into more and less fortunate groups. If a recipient of social benefits at the federal level could be more or less certain that they would be compensated on a regular basis, the same could not be said of recipients at the regional level. This was due to the fact that the amount and regularity of their monetary social assistance depended on the availability of resources in regional budgets.³⁷ And since many regions were unable to implement the reform due to a lack of sufficient resources, they preferred to maintain at least some in-kind privileges. To date, only a few regions have conducted a full monetization of social benefits. Thus, despite its good intentions, the reform did not affect the system of in-kind privileges at the regional level to any great extent, and failed to reach the original objectives. Instead, it created greater dissatisfaction with the course of reform among the regional authorities and the recipients of welfare services at the regional level.

The reform was also met with massive protests by the majority of Russia's welfare recipients. Immediately following the 2005 New Year's celebrations, thousands of pensioners took to the streets demanding restoration of Soviet-era benefits, including free transport. The protests encompassed all major cities and continued for months. Moreover, affected citizens brought several law suits against the state. The protests continued well into the summer, and according to some estimates there were 420 protest actions between January and July of 2005.³⁸

Faced with continued social protest, the Russian government was forced to make compromises and reversals, which in the end watered down the reform's original intentions. The government increased the size of the budget allocated for implementation of the reform from the initially planned 170 trillion rubles to 300 trillion rubles.³⁹ It offered subsidized passes for public transport for each individual eligible for this service. Some of the richer federal regions such as Moscow even restored free transport for most welfare recipients. Afraid of the masses, the government announced increases in pensions and launched the so-called "national projects", which aimed to improve the situation in Russia's housing, healthcare, education, and agriculture sectors, in hope that this would partially compensate for the mistakes made in the process of the social benefits reform.⁴⁰ Finally, the government decided to delay the enactment of the new retirement age requirements, and to postpone the monetization of housing and communal subsidies. All this has again stalled the reform process, leaving the social benefits sector muddled and even more non-transparent than it was before.

The monetization of housing and communal subsidies was expected to be finalized by 2009. However, in light of the global economic crisis and its effect on Russia, the process may be delayed once more, until more favorable economic conditions arise. The Russian authorities fear that overseeing the monetization of housing and utilities benefits amid a global recession, rising unemployment, and decreasing household income could lead to another wave of social

³⁶ Anastassia Alexandrova, Polina Kuznetsova and Elena Grishina, "Reforming In-kind Privileges at the Regional Level in Russia: Political Decisions and Their Determinants," p. 122.

³⁷ Sokolova, *Vse o l'gotakh: monetizatsiia i mery sotsial'noi podderzhki*, p. 17.

³⁸ "Issledovanie protestnoi aktivnosti v 2005 godu v sviazi s vstupleniem v silu zakona N122-FZ," *Kreml.Org* (26 July 2005), available at <http://kreml.org/other/92885482>.

³⁹ "The Truce Vote," *Kommersant Daily* (16 February 2005), available at http://www.kommersant.com/p546981/The_Truce_Vote/.

⁴⁰ Mikhail Vorob'ev, "Fare Retribution," *Vremia Novostei* (Moscow, 19 January 2005), pp. 1-2.

protests. This said, it is vitally important that the reform of Russia's social benefits system has begun. It remains to be seen whether President Dmitrii Medvedev will have the proper vision and leadership to oversee the reform of social benefits and guide it to a logical conclusion.

4. Reforming Social Welfare Systems in Post-Communist States

As this research has shown, the governments of Russia and Kazakhstan inherited an identical welfare system. Being caught between the state's welfare commitments and the demands of the liberal market economy, both governments went on to restructure their welfare systems, with Kazakhstan emerging the more successful of the two. Both reforms had pursued similar objectives and relied on identical policy programs, yet the reforms produced significantly different results.

My argument is linked to the notion of state capacity. I argue that policy implementation in the post-Soviet states is inextricably linked to the issue of state capacity, as it requires a remarkable degree of coherence in following the proposed agenda, as well as a tremendous corporate effort on the part of various policy actors. To explain the effectiveness or ineffectiveness of policy implementation in the post-Soviet states, one should look at the external and internal qualities of the state. When speaking of the external qualities of the state, I refer to the ability of the state to effectively navigate the environment in which implementation is attempted, and to extract the contributions from various state and non-state actors required to achieve the desired objective. The internal qualities of the state are determined by its institutional structure and organizational capacity. In the case of Kazakhstan, the successful implementation of the social benefits reform was the result of bold and skillful actions on the part of state authorities, who successfully manipulated existing conditions to advance the reform's original objectives. This was not the case in Russia, where state actors failed to devise a means of reform that could withstand the political turmoil, economic downturn, and public demands for social benefits. This was especially difficult for the Yeltsin government, as its newfound democratic tendencies were under much greater scrutiny by Western observers than was the case with Kazakhstan. By the time reforms were implemented, public need and expectations of social-benefits had increased significantly, leading to their eventual stagnation.

This research has also shown that skillful framing of the problem greatly contributed to Kazakhstan's success. The government framed the social benefits reform as a necessary measure required for the newly established state to survive and thrive under the conditions of a free market economy. In doing so, the government relied on the transitional experience of the "Asian Tigers", particularly Singapore, which have successfully integrated their social welfare policy with broader political and developmental objectives, achieving remarkable results. In its announcements of welfare cuts, the government emphasized the foremost importance for the country of radical economic reforms and political stability, which, if accomplished, would deliver prosperity and a better quality of life to all citizens of Kazakhstan.⁴¹ To allow this to happen, the government argued that the people must stop relying on the state for social protections and instead seek refuge and help in their families. This conscious strategy of replacing the old Soviet values by Asian philosophy served two goals: to facilitate socioeconomic restructuring and to protect the government from possible social instability. Given Kazakhstan's social structure, with its large rural sector and strong traditional family ties, the message was well-received by ethnic Kazakhs.

The reform was also aided by the nature of Kazakhstan's institutional structure, its soft authoritarian political system and weak political opposition, which resulted in President

⁴¹ Taymaz Rastin, *Model for Development: A Case Study of Singapore's Economic Growth*, available at <http://iilt.ilstu.edu/critique/Fall%202003%20docs/TaymazFinal.pdf#search='singapore%20transition%20model'>.

Nazarbaev enjoying full control over the country's sub-national units. He was therefore able to implement reforms without the concern of political backlash. Additionally, the weakness of civil society vis-à-vis powerful economic groups interested in the retrenchment of the welfare was an important factor in the swift reform of Kazakhstan's welfare state. Welfare recipients had little sway in the political arena, and were unable to form effective class alliances, both of which are necessary in order to influence welfare policy. In sum, the successful implementation of Kazakhstan's social benefits reform was at least partially determined by the presence of a deep socioeconomic crisis and the lack of strong political and civil opposition. This window of opportunity was skillfully used by the government to legitimize the idea of a radical policy change and carry out the reform.

In the case of Russia, the delay in launching welfare reform was the consequence of a political instability that accompanied Yeltsin's entire rule. The political confrontation between the government and a parliament dominated by Communist Party led to an unwillingness on the part of the Russian government to deal with such a delicate question as social benefits, in spite of most political actors agreeing that the existing social welfare system presented a serious problem.⁴² The push for social welfare reform came only under Putin's resolute leadership. Putin's efforts at centralizing state power in the hands of the executive led to the creation of a parliament in which first Unity and then United Russia – two parties of power - commanded a near majority, which made the legislature much more cooperative with the government on issues of radical reform. However, even under Putin's leadership, reforms developed in a stop-and-go manner, and displayed significant weaknesses in implementation. The failure of policy makers to frame the problem effectively, and to establish an open dialogue with the regions and welfare recipients led to the rise of social protests and the stagnation of reforms.

This said, there are several issues requiring further analysis before any serious conclusions about the implementation of the social benefits reform in these two countries can be reached. One such issue is the influence of institutions on the decisions and actions of policy actors. I plan to pay considerable attention to such institutional factors as (1) the nature of constitutional arrangements in these two countries, i.e. is the country parliamentary, presidential or semi-presidential, federal or unitary; and (2) the degree of its institutional centralization. Special attention will be paid to the different structures of the Russian and Kazakhstani states and how it has affected the process of policy implementation.

Another variable which will be explored in greater detail is the role of bureaucracy. To understand the role of bureaucracy in the process of policy implementation, I am relying on my interviews with several bureaucrats who were directly involved in the reform process of these two countries, which I conducted in the summer of 2008. In my interviews, I touched upon several issues, including the organizational structure of bureaucracies and the degree to which they are embedded in sociopolitical structure of a given state. A detailed analysis of the information provided in these interviews is scheduled for this summer.

The political aspect of policy implementation also requires further study. In my dissertation I will devote closer attention to the predispositions of major political actors toward reform, and their role in the processes of policy formulation and implementation. Addressing these research issues will allow me to cover the topic of policy implementation from all possible angles. It is hoped that upon its completion, the study will add important details to literature on public policy and policy implementation, that is, when and why policies change, as well as contribute to our understanding of regime change and democratization.

⁴² Andrea Chandler, *Shocking Mother Russia: Democratization, Social Rights, and Pension Reform in Russia, 1990-2001* (Toronto: University of Toronto, 2004), pp. 156-7.

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