

Crisis Management Models of Federal States in a Pandemic: A Comparative Aspect

Tatyana N. Kozhina¹^a and Alexander V. Petukhov²^b

¹*Chuvash State University, Russia*

²*Cheboksary branch of the Russian Academy of National Economy and Public Administration Under the President of the Russian Federation, Russia*

Keywords: Budgetary federalism, administrative and legal regulation, legal regime during a crisis, budgetary management.

Abstract: When carrying out anti-crisis measures, the optimal ratio between vertical and horizontal management as a strategy for the development of the federation is of great importance. On the basis of a synchronous comparative analysis of the mechanisms and institutions of state-territorial management of the federations in the context of the global crisis, working anti-crisis management schemes have been identified. While, under normal conditions, ensuring a high degree of vertical coordination includes constitutional, legal and administrative aspects, in extreme circumstances the need for quick solutions and urgent measures exacerbates problems and can lead to a deterioration in the quality of public services provided. For the Russian economy, the task of increasing the role of regions in the budgetary policy of the state remains urgent, considering their specifics and opportunities to stimulate economic growth. Centralized management methods prevail in the Russian Federation today, with an obvious pronounced asymmetry in the economic development of the subjects. The economic crisis has exacerbated the imbalance between donor and recipient regions. The improvement of the alignment mechanisms, the search for effective institutions of administrative and economic management based on the lessons of the crisis and the experience of foreign countries are today in the center of attention of researchers from different countries.


1 INTRODUCTION


Today, the process of globalization is associated with the search for answers to socio-economic and technological challenges, epidemiological and environmental threats. All these factors significantly aggravate social and political problems and necessitate their quick solution. At the present stage of development, all states are concerned with resolving the issues of overcoming the crisis phenomena caused by the pandemic and the global economic crisis. An important aspect of these processes is the improvement of the institutional and legal framework of the ongoing changes, since all this entails short-term and long-term political, economic, social, and cultural consequences, including negative ones.

In Russia, within a noticeably short timeframe, it was necessary to implement a national public health reform project, given that the costs for it have been inexorably reduced since 2012 both at the federal and regional levels. Mobilizing resources to combat the pandemic and organize vaccination of the population required a significant strengthening of the administrative component of the federal center.

Obviously, the problems cannot be solved only by tactical adjustments in the use of macroeconomic indicators but must include the interests of the regions in the management process of strategic and tactical planning.

The need to develop and create an updated architecture of budgetary federalism in Russia has been debated for a long time; in the new realities, the task of scientific comprehension and development of

^a <https://orcid.org/0000-0003-0898-3112>

^b <https://orcid.org/0000-0002-5849-0482>

recommendations considering domestic and foreign experience has become even more urgent.

During the study, the following issues were considered:

- What institutions of management of federations appeared and were involved in the implementation of anti-crisis measures?
- What models and mechanisms proved to be more effective for overcoming the crisis?
- What institutions and mechanisms of foreign federations are comparable to the Russian experience and can be introduced for the short-term and strategic development of the federation and regions?

2 MATERIALS AND METHODS

Since the mid-2010s one of the topical issues of scientific discussion is the conceptual content of the terms “budgetary”, “fiscal”, “financial” federalism. As noted by many authors, the central issue of the discussion was the difference between the terms “budgetary” and “fiscal” federalism, since it is precisely in them that there is a different understanding of state tasks for the allocation of resources and even certain areas of policy in organizing the financial system. E.V. Peshina and A.A. Strekalova, analyzing the conceptual apparatus of scientific Russian and foreign studies, note that “a ‘narrowed’ understanding of fiscal (budgetary) federalism leads ... to the absence of theoretical studies on a whole range of issues of fiscal federalism and corresponding practical recommendations for its effective functioning and development, as well as the lack of commonality of semantic concepts with world scientific thought in the system of public finance”. (Peshina *et al.*, 2016) When thinking about changes in the budgetary process, researchers today touch on several important aspects. So, in the article by L.N. Lykova, attention is paid to the specifics of the economic asymmetry of the constituent entities of the Russian Federation and an analysis of transfers from the federal budget in the first half of the crisis 2020 is given. (Lykova, 2020) In the study by N.V. Bondarenko, attention is paid to the search for optimal methods of strategic planning of the centralized system of the budgetary process in Russia, the need to take into account the specifics of the regional economies of the federation is emphasized. (Bondarenko, 2021) Economists N.A. Burakov, E.M. Bukhvald, A.V. Kolchugin developed a new toolkit for ranking and typing the socio-economic situation of regions, based on a critical analysis of the existing system of inter-budgetary equalization in Russia.

(Burakov *et al.*, 2019) Today we can talk about the mechanism of centralized budget management based on foreign experience, since it is more in demand in a crisis.

Foreign researchers pay great attention to the comparative analysis of anti-crisis measures implemented by various governments. Indeed, despite the global processes, in the difficult situation of 2020, each state had to urgently develop its own mechanisms for resolving problems, considering the specifics of historical experience and through prompt decision-making, even politically extremely unpopular ones. In this regard, of interest is the collective study “COVID-19 in Europe: Policy Measures in Germany, Austria and Switzerland at the Early Stage of the 2020 Pandemic”, which identifies old and new mechanisms of the budgetary process of German-speaking federal states in the field of health and social policy. (Desson *et al.*, 2020) For the purposes of comparative analysis, the work of D. Downey and W. Myers is also of interest, where the authors analyze the anti-crisis regulation of decentralized budgetary processes in Australia and the United States. (Downey *et al.*, 2020) A large analytical study by S. Dougherty and P. de Biase, carried out on the example of the reorganization of the healthcare sector in a crisis, makes it possible to assess the effectiveness of certain measures in both federal and unitary states. (Dougherty *et al.*, 2021)

Based on a synchronous comparative analysis, it is possible to identify various models of crisis management in federal states and assess their effectiveness.

It is believed that problems that require rapid political decisions and have significant short-term consequences need to be addressed through a centralized approach. The main advantages of centralized regulation are uniformity and the ability to coordinate regional processes. Additional benefits include monitoring reporting, determining the level of responsibility of governments for actions taken. The main advantages of centralized regulation are uniformity and the ability to coordinate regional processes. Additional advantages can be considered as control over accountability, determination of the level of government responsibility for the actions taken. In addition, centralized management can facilitate the reallocation of resources, since the procurement of the necessary equipment and materials are carried out on a larger scale and in a centralized system can be transferred to the regions that need them most.

3 RESULTS AND DISCUSSION

If we talk about the mechanisms for making crisis decisions, we can distinguish three main scenarios that were used with varying degrees of success in foreign federations: the state of emergency, the centralization of management using traditional government institutions of the federation, the introduction of new institutions and mechanisms of anti-crisis regulation.

3.1 The Regime of Introduction of Laws of State of Emergency and Emergency Situations

Emergency laws centralize decision-making powers in the hands of the executive branch of the central government. The institutional framework for vertical intergovernmental coordination in countries with emergency laws is created by legislatures at all levels. It is they who determine the key parameters of the responsibility of various levels of government for overcoming the crisis, the criteria for launching an emergency regime, the powers of various levels of government and branches of government.

Emergency regimes are quite effective in preventing political risks at the level of regional governments and local governments, but in the absence of a well-functioning multi-level structure of anti-crisis response, they can jeopardize the ability to implement decisions of the central government at all levels of government. So, for example, in Spain, a complex unitary state, national measures in the context of the introduction of a state of emergency led to a noticeable imbalance in economic development, this caused criticism of the government from more developed regions. Five regional governments refused to sign a joint declaration on restrictive emergency measures in large cities in the regions, which aggravated the crisis. The central government of Spain was forced to urgently look for all possible ways to coordinate actions with the help of existing regulations and the conclusion of urgent bilateral agreements.

The most successful, in our opinion, was the experience of introducing a state of emergency in the Federal Republic of Germany. In Germany, a package of laws declaring a state of emergency was passed in 1968, causing a heated debate in society. So, during the period of the state of emergency, Berlin has the right to issue instructions to the federal states, which redistributes powers between the federal government and the state governments towards greater centralization.

During the COVID-19 pandemic, the country's parliament declared a nationwide epidemic emergency, legally transferring power to the central government to carry out anti-crisis measures at the national level.

However, the German federal government used this power only to coordinate actions at all levels of state and local governments. Decisions on the nature of administrative bans, such as, for example, the timing of the reopening of schools and businesses, were determined by the constituent entities of the federation and local governments.

In the Russian Federation, the state of emergency is regulated by the Federal Constitutional Law No. 3-FKZ of 05/30/2001 (as amended on 03/07/2016) "On the state of emergency", the practice of its application has not actually been worked out, since it was not applied. In practice, the emergency regime in Russia was introduced more often in connection with natural disasters and man-made disasters. But the practice of introducing an emergency regime has a local character for the targeted management of overcoming their consequences.

3.2 Centralization of Government Using Traditional Institutions of Government of The Federation

An analysis of traditional institutions of federal government showed that centralized federalism, in which inter-budgetary processes are strictly regulated by the executive branch, can be highly effective for coordinating anti-crisis measures at different levels of government. Such a model requires political compromise and the proper infrastructure for communication and governance. The most successful, in our opinion, as an anti-crisis form of management, such a scenario is implemented in Germany, Austria and Switzerland.

Although the German-speaking states differed significantly in the content and timing of anti-crisis measures, they often used relatively similar measures. Even though Germany's policy was more decentralized than that of its neighbors, the reform of intergovernmental fiscal relations in the country carried out in 2000 gave the federal government the opportunity to consistently introduce the necessary restrictive measures through the previously created infrastructure of vertical and horizontal ties with the regions.

In Austria and Switzerland, a single policy was implemented from top to bottom, and the timing was approximately the same for different entities. The activities of gathering resources, collecting

information, verifying it, and tracking dynamics were carried out at different levels of government and were successfully coordinated by the center. Thus, various models of centralized management can lead to a successful anti-crisis management strategy in states with a high degree of asymmetry in the development of regions.

The Russian experience also showed a significant increase in the role of federal regulation of the budgetary process, which turned out to be productive in procurement and distribution. As noted by Doctor of Economics, Professor L.N. Lykova: “Some types of inappropriate aid, in particular, subsidies, partly acquired a targeted nature, since they were allocated for specific measures necessary to combat the pandemic. This allows us to say that the existing list of instruments for inter-budgetary regulation turned out to be insufficient in the context of the need to take urgent measures”. (Lykova, 2020)

Many Russian researchers agree that building a strategy for overcoming the crisis should be based on the inclusion of regions in the process of developing socio-economic planning and a mechanism for delineating responsibility at different levels of decision-making.

3.3 New Institutions and Mechanisms of Anti-Crisis Management

The creation of coordinating institutions as centers for coordinating actions in the context of a pandemic took place both on the basis of already operating organizations and institutions, and in the practice of introducing new structures. The experience of anti-crisis management has significantly diversified the quantity and quality of such institutions and mechanisms. For example, a tool such as the National Infrastructure Pipeline, created in August 2020 under the Indian federal government, demonstrates the reallocation of investment online, centrally redirecting investments at all levels of the federation. In the context of the pandemic, this helped to open monitoring centers to introduce new schemes for managing the health system, in practice, it led to the opening of several diagnostic and treatment centers in states and districts and creates an opportunity to reallocate the budget to overcome regional imbalances.

Governments from different sectors and levels of government in regions and local governments are involved in the development of anti-crisis policy responses. This model has been widely used for vertical coordination in countries with decentralized federalism.

The states with decentralized federalism traditionally include the United States, Brazil, Mexico, Australia. In the United States, the federal government provides additional funds to states through the Affordable Care Act (2010), the Medicaid program, and the Federal Reserve Bank. The state and local governments of the United States have full autonomy in relation to the introduction of the recommendations of the federal center: the timing of their implementation and methods of prompt implementation.

The differences in the introduction of anti-crisis measures by groups of states is of interest from the point of view of the possibilities of federalism, “which can lead to the creation of ‘laboratories’ of practices”, which, if successful, could be implemented by other regions. (Dougherty *et al.*, 2021) For example, the northeastern states of the United States (New York, New Jersey, Connecticut, and Pennsylvania) have relatively strict restrictions. States that depend on taxes on tourism and trade (Texas and Florida), small rural states like South Dakota and Nebraska have not implemented strict measures and have implemented very minor restrictions. It should be noted that such contrasts of decentralization had noticeable political consequences, destabilized the situation in some states and caused several political crises both in the states and in relations with the federal center. (Mallinson, 2020)

More successful, in our opinion, is the experience of Brazil - a federation with 26 states and a federal district. The wide autonomy of the states has developed here historically, and at the beginning of the epidemiological crisis, there was significant heterogeneity in the adoption of anti-crisis measures within the country. But soon, state policies were coordinated with the help of the Consorcio Nordeste, an interregional group that was created back in 2019 to coordinate policy in the northeastern part of the country. The role of this forum was significantly expanded during the crisis. Several notable steps have been taken by this focal point to overcome it. First, a scientific committee was established to provide technical advice to states; secondly, the procurement process has been streamlined; third, an emergency health brigade was established to redeploy staff between states; fourth, an application was developed to collect operational information related to COVID-19 for modeling and policy scenario development. The Brazilian experience is interesting for studying how the institution of interregional cooperation can be reoriented to fight the crisis, and in the future can

become the basis for developing a country's development strategy.

Australia's experience can also be noted as successful in terms of using the extraordinary institution of interregional cooperation. In Australia, states are responsible for taking anti-crisis measures, this procedure is enshrined in the country's constitution. A special role in coordinating the efforts of the states was played by the Council of Australian Governments (COAG), which includes the prime minister and prime ministers of the states, as well as representatives of ministries responsible for sectoral policy. The Council was formed back in the 1990s during political reforms as an advisory body to discuss intergovernmental cooperation. In the months following the outbreak of the pandemic, the Council of Australian Governments became a veritable "national cabinet". Meetings began to be held every two weeks, the scope of discussion of issues was expanded and covered the problems associated with the crisis: health care, economics, education, transport logistics, law and order and others. Under the Council, special committees are created, in which representatives of some sectors of the economy and representatives of various levels of government participate. These technical councils provide guidance to state and local governments, and thus minimize their political role in decision-making. The Australian model of crisis management is an example of reaching the necessary consensus in conducting anti-crisis policy based on a legitimate institutional mechanism to support interregional cooperation as a tool in the context of significant territorial asymmetry and autonomy of the states of this federation.

For the Russian Federation, the development of a new concept for the development of federalism based on centralized management of this process with the involvement of regions is of relevance today. N.V. Bondarenko notes that "the fundamental document for the development of strategic decisions should be the creation of a normative document adopted on a legislative basis and determining the uniformity of regional development strategies", a revision of the administrative-territorial administration towards the consolidation of the subjects of the budget mechanism. (Bondarenko, 2021) However, the Spatial Development Strategy of the Russian Federation adopted in 2019, although it declares a differentiated approach as a principle of the state policy of regional development, does not contain sufficiently specific definitions even with respect to the criteria of the subjects referred to in this document. "The concept of 'territory' is not an analogue of a specific type of public law formations

(a subject of the federation or a municipality)," and this, according to researchers, leads to the fact that "the practical statement in the regional policy of the state of a targeted approach to the constituent entities of the Federation based on such a methodology for their typification seems to be very difficult". (Burakov *et al.*, 2019) Perhaps the experience of creating coordination councils based on the practice of anti-crisis regulation of foreign federations will be in demand in Russia today.

4 CONCLUSIONS

In the current conditions of the global crisis and pandemic, it has become obvious that the form of administrative-territorial administration of the state does not play a significant role in the spread and overcoming of the crisis. Much more important is the institutional and legal interaction of all levels of government, the possibility of implementing flexible policies to address emerging health problems, overcome social problems, and develop a strategy for economic growth.

In Russia today the time has come to revise the system of the budgetary process, since the crisis showed an imbalance in relations not only along the "federal center-regions" line, but also revealed problems between donor regions and recipient regions. The development of a management strategy requires considering the specifics of the development of regions, it is possible to create a new system of administrative division for budgetary equalization. The practical experience of the institutions and mechanisms of foreign federations may well be applied in Russian practice. Consideration of the specifics of the economic Russian regions and the involvement of regional representatives to develop the strategy and tactics of budgetary federalism seem to be of paramount importance.

REFERENCES

- Bondarenko, N., 2021. Regional development strategies in the system of state socio-economic regulation. *In Oeconomia et Jus.* 1. pp. 13-20.
- Burakov, N., Bukhvald, E., Kolchugina, A., 2019. Ranking of the constituent entities of the Russian Federation based on the regional index of economic development. *In Federalizm.* 3. pp. 149-171.
- Desson, Z., Lambert, L., Peters, J. W., Falkenbach, M. E., Kauer, L., 2020. Europe's Covid-19 outliers: German, Austrian and Swiss policy responses during the early

- stages of the 2020 pandemic. *In Health Policy and Technology*. 9(4). pp. 405-418.
- Dougherty, S., de Biase, P., 2021. Federalism and public health decentralisation in the time of COVID-19. *In OECD Working Papers on Fiscal Federalism*. 33.
- Downey, D. C., Myers, W., 2020. Federalism, Intergovernmental Relationships, and Emergency Response: A Comparison of Australia and the United States. *In American Review of Public Administration*. 50(6-7). pp. 526-535.
- Lykova, L. N., 2020. Consolidated budgets of the constituent entities of the Russian Federation in the context of the crisis provoked by the global pandemic. *In Federalizm*. 3. pp. 19-38.
- Mallinson, D. J., 2020. Cooperation and Conflict in State and Local Innovation During COVID-19. *In American Review of Public Administration*. 50(6-7). pp. 543-550.
- Peshina, E., Strekalova, A., 2016. Fiscal and Budgetary Federalism: Two Systems of Public Finance Management? *In Financial analytics: problems and solutions*. 9(11). pp. 34-52.

