Book Review: Ekaterina V. Kudryashova, Legal Regulation of Strategic Planning in Public Finance

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Since the end of the twentieth century, proper strategic planning in the public sector has particularly become the best practice of public management around the world. Significant social changes and advances in technology inspired the new strategic approach and pushed the state and public institutions towards modern concepts of public governance. One of them is the concept of the strategic and enabling state. This is the state relying on the extensive interaction of different actors and feedback, rather than on imposing its ideas unilaterally and exercising strict control over each and every aspect of social life.

Supra-national institutions like the OECD, World Bank and the United Nations have issued recommendations for implementing good principles of strategic governance for different countries and have published detailed guidelines in this field.

With its strong traditions of planned economy traced back to Soviet times, Russia has come out with its own updated paradigm of strategic planning, taking it to the forefront of public management practice in the twenty first century. In 2014 Russia adopted a special Federal law N 172-FZ of 28.06.2014 “On strategic planning in Russian Federation” which has constituted a new development in social life. This law presents an advanced level of social and political consensus on the configuration of governance in Russia. The aspirations to build a system of strategic planning became, literally, a rule of law.

There is a wide and persistent academic discussion on the problems of strategic planning in the social sciences. These debates are of a multidisciplinary nature, involving politics, sociology, management sciences and law. A number of new books on strategic vision have appeared recently and became best-sellers in the international academic space (Joyce, 2015; Bryson, 2018; Drumaux & Joyce, 2018). These books rely on the practices of countries all over the world building towards a contemporary approach to strategic management. The theory of strategic planning is crystallising currently from both historic and modern practices. Previous and current Russian studies in the field contribute substantially to this process. However, the topic of strategic planning in Russia is mostly discussed in individual articles rather than in collections of essays or books, although the problem certainly does deserve fundamental monographic research. In this sense the legal regulation of strategic planning in public finance has importance as fundamental research.

The study focuses specifically on legal problems. This scope is due to the fact that in Russia the political and social consensus on strategic planning has blossomed into legal regulation; indeed, this can be considered a particular feature of the Russian approach. Not many countries have a special conceptual legislative act on planning. Nonetheless, the monograph may still be described as multidisciplinary with a focus on legal aspects. In this respect the reviewed book follows the international tradition of studies in this field. The monograph is a sequel to previous publications and the author was already involved in multi-disciplinary and international essay collections (Kudryashova,
2014); and this experience impacts the methodology and style of the book.

The research focuses on the legal aspects of planning in public finance. This limitation also resembles the genesis of modern public management concepts in Russia in the twenty-first century. Here public finance was the engine in the progress of strategic planning implementation. Once performance budgeting was introduced in Russia, the documents on financial reform envisaged a special law on strategic planning. The special law was to be adopted as an important link to budgetary reform in Russia. Programs and performance budgeting were the initial steps and strategic planning itself began to institutionalise somewhat later. It could be expected that strategic planning would have preceded, but the public governance reality has its own logic (Shokhin & Kudryashova, 2019).

The monograph illuminates the achievements of social sciences on strategic planning. Social sciences by the end of the twentieth century presented strategic planning as the method of public management “from the future to the present”. It is important that in the strategic planning paradigm the future is not any more a better version of the past and present. The future can be totally different, and it can be neither better nor worse. It is one of the main characteristics of the strategic approach. The planning relies on prognoses and projections. The paradox of our epoch is that the projections and forecasts are much in demand as never before in the history, but their accuracy decreases drastically. All these social science outcomes are systematically analysed in the reviewed book as applied to the legal regulation.

The monograph states that the law has to find the appropriate means to reflect the strategic planning and explains its main features in the contemporary context. The rule of law needs to accommodate the goal-setting process and the cut-off horizon requirements. The horizon here means the limitation in terms of time, resources, risk, territory etc. The law should contain the horizon as a mandatory provision. Without that horizon all the legal norms about planning become simply declarations, losing their legal substance.

The book argues that the law has to shape the due course of the goalsetting procedure. The Federal law on strategic planning sets out the two main goals for Russia: social-economic development and national security. These goals are supposed to be developed further in the strategic documents. Goalsetting and the cut-off horizon are the key elements of strategic planning legal regulation realised nowadays by means of a framework law according to the monograph.

Strategic planning is a recognised means and institution of political communication between the government and society and this aspect is mentioned in the book. Here, the reasoning of the monograph comes into the field of reviewers’ academic interest - the key issues of political inter-relations between the government and society including the key business actors. Certain points in the monograph related to the communications aspects enable us to start a deeper discussion.

As it appears from the author’s discourse, strategies and strategic plans have a great mobilising importance for society, especially once they become legal regulation. The plans present the picture of the future, they form rational expectations of economic agents and stimulate their economic activity in the direction desired by the government. This presents the communications functions of such plans in the economy. The mobilising function of such plans is commensurate with the level of public confidence in the state and the willingness of the main actors to follow the trajectory of the country’s leader and the government. This was postulated in one of the early empirical articles on public planning (Wood, 2000). Historical experience shows that any lack of trust between society and the government cripples the impact of even the best strategic planning. Depending on the level of confidence in government the economic entities either rely on the plans proposed by the state and thus put them into effect, or, expressing distrust, do not take into account state planning, thereby reducing the impact of the government plans.
Some minor aspects are perhaps missing for a complete and cogent study of the reviewed research. Nowadays government and corporations are often closely inter-related. The state corporations are there realizing the public interest. The state corporations are usually created under public law while keeping some features of private legal status. This duality in the status of state corporations, combining both public and private elements, permits the transmission of strategic goals to society in the most efficient way. State corporations are created primarily in the public interest, i.e., to provide public services and to perform significant, essentially public functions. The state corporations are usually created not in general or generically, but with specified goals focusing on important areas of the economy and social and business relations (Shashkova, 2019). Corporations of this type are vehicles for promoting economic development as well as the means for resolving social tensions.

The financial activity of the state within the corporate actors is transformed into the financial activity of the public entity thus the state indirectly proliferates into the financial system. State corporations perform their mission using public funds - decentralised public finance funds. Therefore, public corporations are actors of strategic planning in the field of public finance. They have a very special role, and it is closely related to implementation of the state’s strategies. The companies become conductors of the strategic goals in the society; and this fact cannot be discarded in the debates on public governance and strategic planning. It is worth mentioning that even restrictions or the withdrawal of funds in certain business areas can broadcast the strategies of the state. For instance, the state may determine the maximum share of foreign capital in certain corporations or a maximum participation in certain sectors of the economy. The choice of those limitations or business sectors depends on the strategic goals and preferences. France imposes certain limitations in agriculture, the UK in the financial services sector. Those are their priorities and strategically significant fields.

Another dimension of the enabling state and corporations’ interaction is that the strategies and goals are sometimes elaborated by elected politicians but together with business leaders. So strategic planning is no longer confined to the public administration itself and the main business actors may be directly involved in the whole planning process.

Despite having a conceptual law on strategic planning, Russian legislation fails to reflect properly the role of state corporations, let alone the role of private business actors in interactive strategic processes. The special role of the state companies and other significant business actors in the strategic and enabling state needs to be clearly outlined in multidisciplinary fundamental study, though this problem is not addressed in the reviewed book. Reasoning in this direction could lead the author to an important loophole in the legislation which needs to be tackled. The focus in the book on the doctrinal concept of strategic planning legal regulation may justify this omission from the study, but only partially.

Nevertheless, this critical remark about the role of business actors in strategic planning does not undermine the high level of the research. The critical point is rather an invitation to further discussion and research, than any hindrance to the high appreciation the book deserves.

Indeed, the book readily falls within any categorisation of top multidisciplinary studies and can be strongly recommended for both academics and practitioners in politics, sociology, and law. Given that the book has a great theoretical part, it covers a wider range of issues than just current issues of planning in Russian public finance. “Legal regulation of strategic planning in public finance” is a significant input to the study of the rule of law and strategic management interaction and a contribution to the modern theory of strategic planning.

“Legal regulation of strategic planning in public finance” meets the requirements of international academic research and needs to become accessible to the academic community. Centres for Slavic, East European or Eurasian studies are becoming integral to prominent universities all over the world. Their
libraries, intended for academic focus groups, would be incomplete without this valuable acquisition. Although the book is in Russian, it should not, however, be reserved only for specialised collections. It belongs to the broader academic context when taking into account its inter-disciplinary and international findings. The author is not solely focused on Russian experience and illustrates her ideas with cases from different countries. Bearing in mind recent changes in the context worldwide this research on strategic planning is timely and relevant for international academic audiences. Globalisation has forced the world to shrink and become more open, so best practices are spreading very rapidly. There are therefore more and more common points for discussion between academics from different parts of the globe. As a result, the book will be an interesting work for the international community as well.

REFERENCES


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