
Does regional context matter? A comparative study of two Russian regions implementing budget reforms

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ABSTRACT

This article presents a comparative study of two regions of Russia. The focus is on regional budgets and budget reforms for the period 2004–2014 with the aim to show the contextual specificity of the High North regions. Recent research on public sector reforms shows the imposition of power and the search for legitimacy as well as the resilience of traditional accounting instruments and their contradiction with New Public Management ideas as the main sources of changes. This study attempts to describe and understand other drivers that seem to shape and force changes in such public sector institutions as budget reforms, along with the previously revealed drivers. Thus, the actions of transnational companies and federal players such as military and financial authorities as well as the initiatives of regional politicians and executives may also be important elements in budget developments, while their role may vary from context to context. I will describe and analyse these incentives through studying changes in normative frameworks regulating budgets and budget reforms in the rather new context of Russia's regions. A very cautious generalization from this study suggests that the governance of the High North regions in Russia is more dependent on the federal level, implying less local autonomy than in non-High North regions with similar economic profile.

Keywords: *government budget, public sector reforms, NPM, Russian regions, Russian Arctic, Russian North-West, Murmansk region, Leningrad region*

INTRODUCTION

The purpose of this study is to contribute to our understanding of the specificity of the High North context through describing and analysing budget reforms on the regional level of the largest Arctic state, the Russian Federation. Budgets and budget reforms are portrayed as an important element of the institutional landscape², which reflects the penetration of global discourses to the High North regions as well as the actions of local stakeholders engaged in regional governance.

The term budget can have different meanings for different purposes. It may be a calculative practice. It may be a technology to predict and describe a future. It may be used to determine purposes and put price labels on them, thus providing a possibility for making choices or, in other words, serve as a decision-making tool. It may be seen as a contract, as a law or a rule to follow and a precedent to reproduce (Wildavsky 1974), or may be treated as a management accounting tool, thus performing the main functions that are assigned to accounting: support of legitimation and the exercise of power (Mellemvik et al. 1988; Gårseth-Nesbakk and Timoshenko 2014). In more abstract terms, a budget may be seen as a ritual of reason, a means of communication, and a language of consensus (Czarniawska-Joerges and Jacobsson 1989).

“Apparently, budgets are good things to reform” (Czarniawska-Joerges and Jacobsson 1989, 35). Budget reforms, in turn, are often seen to be inscribed in broader ideologies, which may carry different governance logics (Wiesel and Modell 2014). Researchers tend to place public sector reform ideologies on a single timeline and thus present a chronological sequence. Since the Weberian type of public administration with its “rule of law” as its main legitimation mechanism, the world has witnessed the emergence of New Public Management (NPM). This is also known as a turn to managerialism, such as bringing business practices into the public sector. There is a strong consensus in the research community that NPM has become a global reform trend (see, e.g., Lapsley 2008). However, there are also views that it is being transformed into New Public Governance (NPG) (Osborne 2006, 2010; Wiesel and Modell 2014) and challenged by the neo-Weberian state (NWS) (Drechsler and Kattel 2008; Pollitt and Bouckaert 2011). New Public Governance suggests further reduction of the state. It is focused on network governance for many single-function entities born by managerial efforts to make the public sector more effective and efficient. The neo-Weberian state is an address to the merits of Public Administration (PA) ideology supplemented with new insights from enhanced direct democratic mechanisms.

As with any other analytical categories, the distinctions between the ideologies are informed and framed by the theory employed, such as institutional logics (Thornton et al. 2012) as in Hyndman et al. (2014) or Khodachek and Timoshenko (2018). At the same time, in an unexplored, rich, and controversial context, the combination of theories may provide more fruitful outcomes if the aim is the enhanced understanding of this context (Khodachek 2017). Thus, to improve our understanding of the role of strategic interplay among regional and local governments, local small and medium-sized enterprises, global corporations, and national authorities in the High North, it might make sense to combine different theories and approaches, seeing how each theoretical lens contributes to our understanding of the context.

Previous studies of accounting and budgeting reforms in local government have focused on various aspects of compliance of local situations to centrally adopted norms (e.g., Christatens 1999; Carvalho et al. 2004). These studies use quantitative methodology and reveal differences in compliance among municipalities as the consequence of different factors, such as size, professional competence, influence of neighbours, etc. This view derives from the rationalist idea that what is designed has to be implemented. However, building on the understanding obtained from public administration practitioners, Czarniawska-Joerges and Jacobsson (1989) claim that this is quite an idealistic approach, seldom shared by people “on the ground”. On the contrary, in many cases practitioners view budget reforms as “temporary Utopias, i.e. states that will never be reached but which, for the time being, can give some comfort by pointing out that the organization is probably heading in the right direction” (Czarniawska-Joerges and Jacobsson 1989, 38). As localized material evidence of reform attempts, a budget may reflect key contextual peculiarities. These may be societal values, the prevailing ideology, economic state, or political agenda, and it may show the performance of the stakeholders engaged in the budget affairs, as suggested by Wildavsky (1974). Budget reforms, viewed as continuity through change, help to achieve a balance between the past and the future (Czarniawska-Joerges and Jacobsson 1989) and thus appear to be a significant element in societal development. This study suggests an understanding of budget reforms as an institution, “an (observable) pattern of collective action (social practice), justified by a corresponding norm” (Czarniawska 1997 in Czarniawska 2009, 423), which reflects specificities of local contexts and thus may form a basis for an enhanced understanding of the context of the High North.

While there is a global trend of harmonizing and even homogenizing Arctic and High North policies and supra-national governance institutions across borders, the institutional landscape of each national context remains a dominating factor for investments and activities in the northern regions (see, e.g., Suutarinen 2015). To put it even more sharply, the largest High North territory belongs to a non-Western transitional economy, whose history and governance tradition contrasts with both Nordic and North American traditions, such as the Western understanding of the state (Kharkhordin 2005, 2017). Thus, the High North context cannot be understood without understanding Russia. Indeed, “the Russian North is an interesting laboratory of spatio-economic evolution and local economic development as old institutional systems have collapsed and new ones have evolved” (Tykkyläinen 2010, 250). Another homogenizing pattern may be expected in treating Russia as a unified centralized autocracy. Nevertheless, both the federal design of the state and Russia’s geographical diversity imply heterogeneity among local institutional landscapes, which in turn may affect economic activities and lead to diverse institutional structures, as suggested by Tykkyläinen (2010). Therefore, understanding the specificity of regional contexts of Russia is an important facet in addressing the task of understanding the High North context as a whole.

Thus, the main research question of this article is:

- How does the regional context matter in terms of explaining differences in implementing budget reforms and what implications does this have for understanding the High North context?

As suggested by Khodachek (2017), in order to address the regional level of Russia’s governance, it is important to consider the federal agendas and their implications for the regional level. Thus, the first sub-question is:

- What are the key features of the Russian context regarding budget reforms and what implications may this have for Russia’s regions?

To answer the question, this paper provides a brief description of the Russian context by referring to a comprehensive study of budget reforms at the central level of Russia in 2000–2015 in connection with the global reform discourses (Khodachek and Timoshenko 2018). The description shows that the budget norms in Russia

are framed by different institutional logics and at the same time may lead to hybrid outcomes of implementation. This leads to the second sub-question, which will help to enhance understanding of the regional contexts, i.e., actors, reform agendas, and their reciprocal influence:

- What are the key contextual elements in the regional institutional landscape that may reveal the diversity of regional contexts?

To answer this question, I will compare two Russian regions: Leningradskaya oblast (hereafter called Leningrad region) and one of the Russian High North regions, Murmanskaya oblast (hereafter called Murmansk region). The chosen regions are similar enough to be comparable; they are both geo-economically and geopolitically important, have similar socio-economic profiles, and are both located in the European part of Russia, which implies a similar historical background. At the same time, the regions have different reform patterns due to different sets of stakeholders engaged in regional governance and/or economic activities.

The empirical motivation for making this kind of comparison derives from the importance of the two chosen regions for economic activity in the European part of Russia and for international cooperation. Leningrad region borders Finland and Estonia. Being heavily dependent on Saint Petersburg, a city of federal jurisdiction, this region however demonstrates better investment and financial performance (Riarating.ru 2014). Murmansk region has a border with Finland and Norway. It is a former Soviet military outpost and currently a Russian zone of special interest. Being the only non-freezing Russian European seaport, the city of Murmansk has a strategic geopolitical location that makes it important for maritime logistics and military security. Murmansk region is also a centre of mining and fishing industries and a potential centre of oil and gas activities. One can therefore expect different approaches to budgeting in the two regions: there may be different stimuli and different drivers, the implementation of changes may differ, and the use of new budgetary instruments may vary. I assume that in Murmansk region there may be more pressure on the regional budget from federal players such as extractive industry multinationals, shipping companies, and the Russian military. In Leningrad region, actors influencing the regional budget may be more concerned with the developments taking place on the borders with its neighbour, the second largest Russian city of Saint Petersburg, with its population of five million.

The remainder of the paper is structured as follows. The next section presents the theoretical framework for the study, after which the third sub-question is formulated. The theoretical framework is followed by a few words on methodology and methods. Then comes an insight into the context of Russia's public sector reforms, which is followed by descriptions of two cases: the Leningrad and Murmansk regions. The last two sections present a comparison of the two cases, the discussion, conclusions, and suggestions for further research.

THEORETICAL FRAMEWORK

Building on the main ideas of new institutional theory (DiMaggio and Powell 1983), this article attempts to demonstrate how two recent streams in institutional theory, institutional logics (Thornton and Ocasio 2008; Thornton et al. 2012) and institutional work (Lawrence and Suddaby 2006; Lawrence et al. 2009, 2011), may be combined and how their differences may be productive. Zilber (2013) suggests that these approaches can be seen as “each emphasizing different aspects of institutions”: “While an institutional logics [approach] is more interested in the broad building blocks of institutions, examining in particular structures (including the structure of meanings and organizational practices), institutional work is more tuned to examining micro-practices (though mainly discursive).” (Zilber 2013, 90).

Institutional logics authors position themselves as successors of new institutionalists, sharing with Meyer and Rowan (1977) and DiMaggio and Powell (1983) a concern with how cultural rules and cognitive structures shape organizational structures. However, their main focus is not on isomorphism, “but on the effects of differentiated institutional logics on individuals and organizations in a larger variety of contexts, including markets, industries, and populations of organizational forms” (Thornton and Ocasio 2008, 100). Institutional logics are defined as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio 1999, 804).

The idea of institutional work first appeared in the mid-2000s and since then has rapidly developed into a new branch of institutional theory. Although several researchers use it as a point of reference for their studies (Battilana and D'Aunno 2009; Battilana, Leca, and Boxenbaum 2009; Hargrave and Van de Ven 2009; Kraatz

2009; Mair and Marti 2009) or critique (Kaghan and Lounsbury 2011), they all tend to be inspired by the Canadian researchers Thomas B. Lawrence and Roy Suddaby, later joined by the French author Bernard Leca. These authors present the concept of institutional work as “the purposive action of individuals and organisations aimed at creating, maintaining and disrupting institutions” (Lawrence and Suddaby 2006, 215).

The main distinction of institutional work from old and neo-institutional theory is that it individualizes day-to-day regular, mundane intentional efforts, taking them out from under the institutional entrepreneurship umbrella and positioning them under a bigger umbrella of work as a critical driver of institutional change:

The concept of institutional work highlights the intentional actions taken in relation to institutions, some highly visible and dramatic, as often illustrated in research on institutional entrepreneurship, but much of it nearly invisible and often mundane as the day-to-day adjustments, adaptations, and compromises of actors attempting to maintain institutional arrangements. Thus, a significant part of the promise of institutional work as a research area is to establish a broader vision of agency in relationship to institutions, one that avoids depicting actors either as “cultural dopes” trapped by institutional arrangements, or as hypermuscular institutional entrepreneurs. (Lawrence et al. 2009, 1).

Advocating their departure from institutional logic, Lawrence et al. underline the importance of understanding a phenomenon of work that they see as being unfairly abandoned by researchers concerned with clashes between institutions, the travel of global ideas, and heroic sagas of entrepreneurial feats:

The study of institutional work takes as a point of its departure an interest in work – the efforts of individuals and collective actors to cope with, keep up with, shore up, tear down, tinker with, transform, or create anew the institutional structures within which they live, work, and play, and which give them their roles, relationships, resources, and routines. (Lawrence et al. 2011, 53).

As suggested by Khodachek (2017), the combination of theories is relevant to address the dynamic and controversial context of Russia. While new institutional theory

helps in conceptualizing the connections of Russian central-level institutions to the global public sector reform discourses, institutional logic makes it possible to extend the focus and consider the Soviet legacy of Russia and the recently emerged concept of “vertical power” as competing logics (Khodachek and Timoshenko 2018). The institutional work approach is also capable of unveiling the actions of local stakeholders and their implications for regional institutional structures.

METHODOLOGY AND METHODS

The study is primarily descriptive and explorative. A view of budget reforms in two Russian regions is constructed and interpreted in a way that allows for them to be explained from the position of institutional theory. The analytical part is somewhat limited, but brings some interesting insights for further research. The comparative case-study strategy appears pertinent for approaching the purpose and the research question of the paper. The relevance of comparison for addressing the specificity of the High North has been emphasized as “giving us the advantage of seeing the forest for the trees” while reaching beyond the micro level (Espiritu 2016).

This is desk research, and the main data collection method is documentary analysis. Data sources are websites of regional governments, legal databases, and articles in Russian media, including those published online. As Pollitt and Bouckaert (2011) express it, the paper focuses on “talks” and “decisions” regarding budget reforms. For some documents simple content analysis was performed. Several informal discussions with public sector practitioners and experts in the field were conducted to support the preliminary findings.

THE CONTEXT OF RUSSIA: IMPLICATIONS FOR REFORMS AT REGIONAL LEVEL

This section presents the key features of the Russian context of budget reforms and the possible implications for Russia’s regions.

Russia is a federal state of 85 regions named “the subjects of the Russian Federation” (Constitution of the Russian Federation 2018). According to the peculiarities of Russian legislation, the roles of central and local – i.e., federal and regional – authorities vary in different processes and may thus depend both on the overall political situation in the country and the personal accountability of each regional leader to the federal authorities.

Reforms in the Russian public sector since 1991 at the federal level have significantly changed governmental accounting in agencies and public entities accountable to the federal government (Timoshenko 2008; Timoshenko and Adhikari 2009). At the same time, although ongoing changes fit well with the Russian top political agenda, they come into contradiction with the existing accounting tradition (Antipova and Bourmistrov 2013). Government budgets have also faced remarkable changes. A comprehensive study of budget reforms at the central level in Russia from 2000 until 2015 (Khodachek and Timoshenko 2018) suggests the presence of all four previously formulated public sector reform ideologies – PA, NPM, NPG, and NWS – in government budgeting norms. These ideologies tend to co-exist and may lead to hybridization:

Although the Russian setting is distinct from that of OECD countries, the similar processes of hybridization and “nationalization” of NPM-like arrangements are apparent. However, unlike previous studies regarding Russia’s public sector reforms (e.g. Timoshenko 2008; Antipova and Bourmistrov 2013), this study raises doubts as to whether the NPM ideology served as a prototype or a normative model for Russia’s policy-makers to implement changes. It is argued in this paper that, along with the NPM trend, the nascent system of governmental budgeting is a result of other public sector reform discourses and certain ideas that were inherited from the Soviet past and the strong ideological rhetoric of Russia’s political elite, aimed to boost the image of the Russian state as a modern and progressive player in the international arena. The empirical evidence demonstrates that Russia’s budgetary framework possesses inherent features that are pertinent to each paradigm. These features include, but are not limited to, NPM-like performance measurement and performance management, a strong reliance on legislation that is more reminiscent of PA tradition than NPM, and elements of NPG and the NWS such as consolidated budgets and reports, participatory budgeting and the role of the state as the primary provider of welfare. Therefore, it is very likely that all the four public sector discourses have acted in concert to transform Russia’s budgetary framework, with the power and potency of each paradigm varying over time, given the particular set of actors and circumstances in place. (Khodachek and Timoshenko 2018, 471).

These features add to the complexity of the context and may create space for local autonomy in implementing reforms on the regional level. The reform, initiated in 2004, was focused on performance-oriented budgeting (Timoshenko 2008). The financial crisis of 2007–2008 seemed to influence the ambitions of reform designers and reform plans. Broader changes in 2010 were aimed at enhancing performance measurement and performance management in public sector organizations. After 2012, most efforts have been directed at introducing target programmes and programme-based budgets. Instead of budgeting through agencies, the federal budget has since 2014 consisted of 42 state programmes that cover more than 95% of federal budget expenses (Ministry of Finance of the Russian Federation official web portal 2013). At the same time, until 2014 Russian federal legislation stated that changes in governmental budgeting at the regional level could be implemented voluntarily. Nevertheless, the federal government provided financial support and guidelines for these changes.

As federal executives have declared, the next step after adopting a programme-based budgeting technique on the federal level is to adopt it on the regional level. The programme share in regional budgets differs from less than 20% to 100% throughout the country (Ministry of Finance of the Russian Federation official web portal 2013). Some Russian regions started adopting programme-based budgeting at the same time as the federal level, but others continued to use traditional techniques until 2015, when budget programmes became obligatory for regions. In his address to the Federal Assembly in December 2013, Russian President Vladimir Putin stressed that during 2014 and 2015 all levels of the Russian budgetary system would adopt programme-based budgeting (Annual Address of President of the Russian Federation to Federal Assembly 2013). Thus, the period between 2004 and 2014 may show how regions reacted to federal reform agendas and how the regional institutional landscapes informed these reactions.

The next two sections present the cases of Leningrad and Murmansk regions in order to identify the key contextual elements in the regional institutional landscape which may show the diversity of regional contexts and, consequently, the variance in budget reforms.

THE CASE OF LENINGRAD REGION

Snapshot of regional economy and regional budget

Leningrad region is named after Leningrad, the Soviet name of the city of Saint Petersburg, which was a regional centre of the North-West of the USSR and remains the second city or, as it is also called, “the Northern Capital of Russia”. The population of Leningrad region today is about 1.8 million, with 1.1 million living in urban areas. The largest cities are Gatchina (population 94,447), Vyborg (77,400), Vsevolozhsk (73,126), Sosnovyi Bor (68,013), Tikhvin (60,102), and Kirishi (50,885) (Petrostat 2018). The permanent population comprises more than 80 ethnic groups with a Russian majority and indigenous minorities such as Vepsy, Vod’, and Izhory. A brief but quite comprehensive analysis of the economy of Leningrad region is found in the Concept of Development of Leningrad Region until 2025 (LO Concept 2025) adopted by the regional government in 2013. To a great extent, the profile of the region is formed by the second largest Russian local market, the city of Saint Petersburg. Other significant factors are naturally determined by its geographical location: borders with the EU (Finland and Estonia) and access to the Baltic Sea. The latter makes Saint Petersburg and Leningrad region together the largest seaport system in Russia. During the Soviet period, Leningrad region fully provided Leningrad city with the main food products. Today agriculture is less significant, but remains an important modern and highly efficient sector. According to official statistics, the main industries are manufacturing, construction, transport, production and distribution of energy, and agriculture. The gross regional product (GRP) growth rates since 2001 exceed those of the North-West and Russian GDP growth as a whole. As stated in the LO Concept 2025, this growth is mainly based on high investment activity.

A major ongoing investment project in Leningrad region is the port of Ust’-Luga located to the south of Saint Petersburg at the mouth of the river Luga. In 2013 its turnover became the fastest growing in Russia and one of the largest at 60 million tons. According to official investment plans, it aims at entering into world’s top 20 largest seaports list with a turnover of 180 million tons (NW Strategy 2025). The closed town of Sosnovyi Bor hosts a large nuclear power plant that produces 40% of all electricity in the North-West Federal District. Its expansion plan forms a huge part of regional investment statistics. However, Leningrad region is also known for its policy of welcoming foreign investors. Among them are European, Japanese, Chinese, Turkish, and American companies. The town of Vsevolozhsk was one of the first in Russia to establish a foreign car production factory (backed by American investors). Vyborg town hosts a shipbuilding factory that focuses on offshore

platforms and oil and gas supply vessels in cooperation with Norwegian producers. Transport infrastructure includes both national/international routes and regional ones. Oil and gas pipelines, railways, roads, and river commercial sailing routes connect Leningrad region with five other Russian regions, thus providing a gateway to Europe for the vast Russian territory lying to the east of Saint Petersburg.

In 2012, the regional budget contributed 13.8% to the GRP, which was lower than in other regions (Elin 2012a). Many Leningrad region inhabitants are used to relying on Saint Petersburg public sector institutions, such as advanced health care or higher education. However, the regional budget is highly “socially oriented”, which means that it is primarily directed to the provision of public services, financing regional public sector institutions and subsidizing municipalities. Although the budget is traditionally planned and executed with a deficit, Leningrad region remains one of eight “donor” regions that send more money to the federal budget than they receive. The budget is planned for three years; since 2014, 93% of its expenses have been under 17 regional state programmes, and performance management issues receive increasing attention from regional political leaders. One of the programmes, “Public finance and public debt management in Leningrad region”, with a planning period until 2016, is devoted to increasing the effectiveness and efficiency of the regional public sector.

Budget reforms in 2004–2014

The most comprehensive concept of budget reforms was launched in 2004 as a part of an application to the federal fund for regional finance reforms. The document was named the “Regional finance reform programme of Leningrad region” (or “LO Programme 2004”). NPM ideas seem to have influenced this document to a great extent. The main aim of the document is to enhance quality of life through increasing the competitiveness of the region. LO Programme 2004 calls for effectiveness and efficiency. A very simple content analysis shows that these words appear 92 times in the 5507-word document. Most often, they refer to the effectiveness of public spending, provision of public services, and efficient public governance. LO Programme 2004 mentions balanced scorecard technology as one of the instruments that should help to achieve the targets of the document. Other ideas mentioned are programme-based budgeting, mid-term planning, and performance management for regional government institutions and public sector organizations (LO Finance Committee 2014). Although this programme may be considered as very innovative for the Russian context of the mid-2000s, Leningrad region did not receive

financial aid from the fund for reforming regional finances. This has to some extent determined further developments of the regional budget. It seems that the regional authorities have been more concerned with the investment climate for enlarging the tax base and thus regional budget revenues rather than seeking effectiveness and efficiency as these were interpreted by the federal powers. It is worth mentioning that the period from 2004 to 2007 is known for introducing a performance-oriented budgeting reform at the Russian federal level, which was later considered a complete failure. However, some informants also explain this by the influence of the strong economic block of regional government in charge until 2012. Apparently, official reform concepts issued in Leningrad region in 2004–2012 actually call for performance-oriented budgeting, but the focus was on enhancing economic growth and the investment climate rather than public sector effectiveness and efficiency.

This situation changed in 2012, when a new governor was appointed, whose team included a vice-governor for finance with a career in the federal Ministry of Finance and government of Saint Petersburg. During 2012 and early 2013, the number of programmes was decreased and the share of programmes in the regional budget was increased. The reform has met strong resistance from regional executives, but has provided a firm foundation for further developments in the regional budget. The programme's share in 2013 was 29%. In the 2014 budget, it was planned to make the figure 93% of all spending.

In 2013, to frame this and further changes, the government of Leningrad region approved the regional state programme “Public finance and public debt management in Leningrad region” for a three-year period starting in 2014. Different forms of the words “effectiveness” and “efficiency” appear 155 times in the 84-page document. Although there is evidence that the ideas in the document rely on NPM logic, the main direction of the programme is towards following the federal guidelines.

Key players influencing regional economy, budget, and budget reforms

During the 2000s, Leningrad region's economic achievements were linked to its natural benefits, its geographical location. However, the effectiveness of the government's economic block was vital for using these benefits in the most appropriate way. Unlike in Saint Petersburg, key appointments were never excessively politicized. Moreover, there was an enduring consensus between the regional elite, federal authorities, and decision-makers in Saint Petersburg on the future vision of Leningrad region.

In 2012, the governor who had been in charge for more than 10 years resigned. It is necessary to mention that from 2004 to 2014, the President used to appoint regional leaders almost directly. Formally, he had to propose several candidates, and regional parliament had to approve one of them. Since 2014, they have again been directly elected. The procedure is similar to the one that existed during the 1990s and the early 2000s. Nevertheless, in 2012, there was a more centralized system, and the forthcoming appointment created tensions among federal groups of influence that supported two candidates. After an intriguing period of negotiations they both became governors, but in different regions. This appointment brought significant changes for Leningrad region. It changed the balance with Saint Petersburg, making the region more self-sufficient in political, economic, and financial decisions.

The new set of key stakeholders may be understood through comparing two lists of major regional investment projects from before 2012 and now. Hereafter the study will refer to the LO Concept 2025.

The list of implemented investment projects includes:

- Deep oil processing plant by Kirishineft⁹ (Russia);
- Railway cabin and trolley production factory by ICT Group (Russia) and BARAN (Israel);
- Tyre production factory by Nokian Tyres (Finland);
- Car production factory by Ford Motor Company (USA);
- Off-highway trucks component production factory by Caterpillar (USA);
- Forest processing plant by Svir¹⁰ Timber (Sweden);
- Cigarette production plant by Philip Morris (USA).

The list of major ongoing investment projects includes:

- Ust'-Luga deep-water seaport complex with related infrastructure, industrial units, and new settlements for 35,000 inhabitants by Rosmorport federal agency and several consortiums of Russian investors, including Russian Railways, Volga Group, Novatek, Bank "Rossiya", and other business groups;
- Modernization of the regional railroad system by Russian Railways (Russia);

- Extension of Sosnovyi Bor nuclear power plant by Rosatom (Russia);
- Extension of Baltic oil pipeline system with terminals in Primorsk and Ust'-Luga seaports by Transneft (Russia).

The situation is clear: huge and complex investment programmes with a high share of spending on infrastructure are dominating over single-unit investment projects. Federal agencies, state-owned corporations, and federal business groups are replacing foreign investors. On the one hand, this may be considered as a result of the successful investment policy of the regional authorities. On the other hand, it brings new challenges for them, primarily political. A new set of stakeholders may dominate over regional government, thus leading to a misbalance between federal and regional business groups, federal and regional authorities, and Saint Petersburg.

However, the interest of this paper is in budget reforms. The situation described above shows that the turn to a new stage of reforms took place in 2012 after the appointment of a new governor. To some extent, this coincided with the increasing attention to regional finances by federal authorities, but this may partly also be linked to the new vision of a new set of stakeholders and their work to manage regional development. In any case, the role of the new vice-governor was very important in conceptualizing and operationalizing the budget reforms of programme-based budgeting and mid-term financial planning.

THE CASE OF MURMANSK REGION

Snapshot of regional economy and regional budget

Murmansk region is one of the High North regions of European Russia located in the Kola Peninsula. It borders on Norway and Finland and hosts the only Russian non-freezing European seaport, which is the gateway to the trans-Arctic Northern Sailing Route. It is a highly urbanized region, 93% of the population (757,621) live in cities. Around 1600 of them represent the largest regional indigenous minority, the Saami. Although aquaculture, fishing, and agriculture, especially reindeer herding, are significant in the GRP, Murmansk region is highly industrialized territory. As a Soviet legacy, it possesses well developed albeit archaic infrastructure: railways, an energy grid with a nuclear power station in its core, and rather excessive utility complex. The main industries, according to official statistics, are mining, manufacturing, public and military affairs, trade and services, transport, and fishing. Murmansk is the home port of the world's largest and unique fleet of nuclear icebreakers. The closed town of

Severomorsk is the home port of the Russian Northern Fleet that includes an aircraft carrier, the world's three largest surface combatants, nuclear battlecruisers, and dozens of strategic nuclear submarines.

The regional public sector is rather large, representing health care, research, and education as well as other Russian traditional public services. There are 1096 public sector organizations in Murmansk region, 57 of which are accountable to federal level, 186 to the regional government, and the rest are municipal organizations. The share of the consolidated regional budget in the GRP is 23%. The regional budget comprises 17 state programmes that represent more than 99% of regional budget spending. The budget is approved annually as a regional law, usually in November or December, for the following year and for a planning period of a further two years. Most of the budget policy documents stress its performance orientation. However, today it would be more accurate to define it as a mid-term programme-based budget.

Budget reforms in 2004–2014

The starting point for budget reforms in this period was the adoption of the “Regional finance reform programme of Murmansk region” in 2005 (hereafter “Programme 2005”). It was drawn up as part of an application to the fund for regional finance reforms. Murmansk region did not receive federal funding in 2005 and 2006, but the programme was updated and re-approved in 2006, then in 2007, 2008, and 2009. After 2007 it was co-financed and monitored by the fund. All versions of the programme appeal to effectiveness and efficiency. A content analysis shows that these words appear 77 times in the 21,831-word document in its initial version, with minor changes (73 and 92) in other versions. Besides efficiency and effectiveness, there is a strong focus on the following issues:

- Increasing autonomy of, and/or privatizing, public sector organizations that provide public services, however with remarks that this should be done carefully and reasonably.
- Introducing and developing performance measurement and performance management.
- Implementing mid-term budget planning.
- Increasing the share of target-oriented budget programmes in all expenses.

The goals of the programme were achieved by 94.81% and 100% in 2007 and 2008 respectively. Further budget reforms announced after 2008 were less systematic and

were aimed primarily at coping with the consequences of the financial crisis. Recent developments were framed by changes on federal level addressing all Russian regions. Of these, the following should be mentioned:

- New edition of budget code, bringing *de facto* obligatory adoption of a new version of programme-based budgeting on the regional level, developments in tax legislation, and the recently (2014) approved law “On strategic planning in Russia” that puts federal, regional, and local budgets into a wider frame of a forecasting and planning system.
- So-called “President’s May decrees” – a set of targets announced by Vladimir Putin during his election campaign and further adopted as a top-priority political agenda for the Russian state, regions, and municipalities.
- Performance measurement and ranking of regions based on uniform indicators, with a direct impact on governors’ salaries.
- Federal programmes designed at developing so-called macro-regions, for example, Siberia, Russian Far East, and the Russian Arctic zone, leading to further centralization and thus increasing the focus of federal authorities on previously neglected regions.

However, there are some peculiarities that apply to Murmansk region, related to its demographic profile. The region has been depopulating since 1991 and has lost more than 30% of its population over this period. This situation brings challenges not only for the regional labour market, but also for public service provision. Thus the question of reducing the public sector and balancing its capabilities with the current and future needs of the population is still on the agenda, which differentiates Murmansk region from regions in central and southern Russia. The ideas of optimizing the number of government-run public sector organizations and delegating the provision of public services to non-governmental or commercial entities remain on the official reform agenda.

Key players influencing regional economy, budget, and budget reforms

The main profile of Murmansk region during the late Soviet period was formed by military and mining activities, and the role of central power has always been highly significant. With minor changes, this remains true for today. Although the mining industry and commercial sailing have more influence on the regional economy, it seems that the military sector has more influence on the regional budget. This takes

place through so-called closed towns (“ZATO”) built to accommodate the Northern Fleet, strategic missiles, and other military units. For quite a long period after the collapse of Soviet Union, these towns were like “black holes” for regional authorities. It took a while to make them more transparent and accountable to regional government. At the same time, “good shape” and clarity of the regional budget helped Murmansk region to gain federal support after the financial crisis of 2008.

Due to prevailing economic activities, several business groups communicate intensively with the regional government based on their interests in Murmansk region:

- Norilsk Nickel, the world-leading producer of nickel, palladium, and precious metals with resource base in local town of Norilsk.
- EuroChem, one of the world’s largest (top ten) producers of mineral fertilizers, having its resource base in the town of Kovdor and co-owner of the main regional seaport.
- Fosagro, world’s leading producer of phosphate fertilizers with resource base in the town of Apatity.
- Severstal, one of the world’s leading vertically integrated steel and steel-related mining companies and the owner of Olenegorskiy iron ore complex.
- Russian Railways, state-owned railway operator, serving the regional transport demands of the seaport, the mining companies, and other enterprises.
- Gazprom, world’s largest gas producer and the owner of the giant Shtokman gas and gas condensate field in the Barents Sea.
- Rosneft, co-owner of the main regional seaport.
- Rosatom, the owner of the world’s largest fleet of nuclear and diesel icebreakers, based in Murmansk, as well as the operator of a regional nuclear power plant in the town of Polyarnye Zori.

These companies represent the core of the regional economy and are major taxpayers. However, informants say that their influence on the regional budget is limited to lobbying their needs in terms of budget allocation. While their influence does not seem to lead to creating any demand for reforms, the companies do have some influence on political decisions and key appointments. For example, the discussion on delegating public services to private entities may be linked to

their wish to load their traditionally huge social infrastructure and finance it with regional budget subsidies.

Federal interest in Murmansk region is embodied in a federal state programme devoted to developing Russian Arctic territories, named *Socio-economic development of the Arctic zone of the Russian Federation for the period until 2020*. Its draft was issued at the end of 2013 and promised a budget of around EUR 15 billion for 2015–2020. The approved programme reduces budget spending to the levels planned in other programmes and projects, primarily the state programme of transport system development. Federal and regional government agencies (Ministry of Defence, Ministry of Economic Development, and Ministry of Finance), education and research institutions (Northern Arctic Federal University, Far East Federal University, Murmansk State Technical University, and regional centres and institutions of the Russian Academy of Science), state corporations (Rosatom, Vnesheconombank, United Shipbuilding Corporation, Rosnano), state-owned companies (Russian Railways, Rosneft, and Gazprom) as well as large private companies (Lukoil) are seen as the main actors in the implementation of the programme. As Murmansk region is wholly in the Russian Arctic zone, it makes sense to say a few words about how the programme may influence the regional budget. Some recent developments correspond with the document, including military activities, such as the re-building of Arctic military airports and providing permanent military presence. Secondly, investment activities, such as privatizing Murmansk port, involve international partners to participate in the continental shelf projects and other activities. Thirdly, there is the modernization of the fleet of nuclear icebreakers. Although the share of the budget assigned to military activities in the draft programme was classified and not present in the approved version, we may assume that this share has not been cut; on the contrary, it may have been enlarged. Spending on reviving old Soviet military infrastructure and building new facilities that include ports, airports, permanent bases, as well as search and rescue points, seems to represent the main investments in the Arctic zone, besides oil and gas developments and reviving the Northern Sailing Route navigation system.

The impact of the military sector on Murmansk region was significant during the Soviet period; it decreased after the collapse of the USSR, but remains important today and will increase in the near future, thus influencing its budget too.

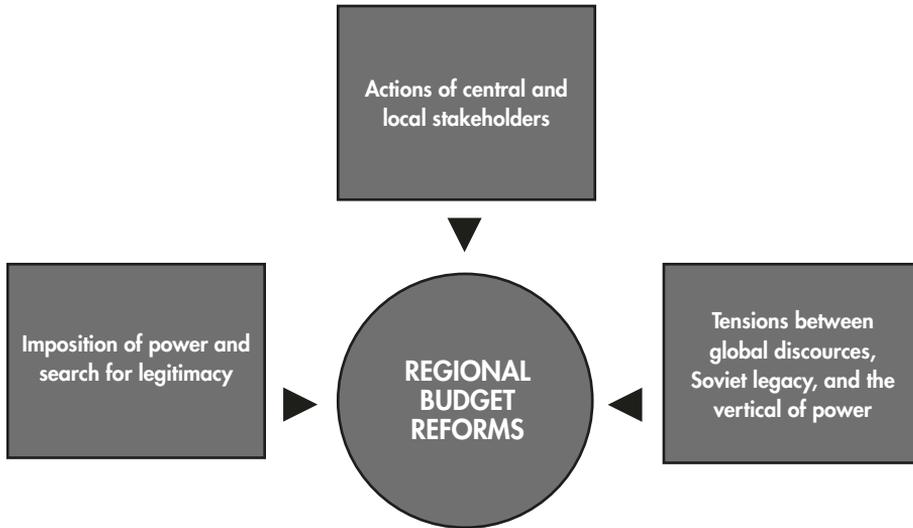
COMPARISON AND DISCUSSIONS

Researchers claim that changes in governmental accounting and budgeting on Russia's federal level do not serve to enhance instrumentality, but to support the legitimacy of the Russian state on the international arena (Timoshenko 2008; Timoshenko and Adhikari 2010). Such behaviour may be aimed at providing a good image of Russia for supra-national institutions like the International Monetary Fund, foreign investors, and foreign state leaders. Neo-institutional theorists could say that this behaviour is quite expected if these changes are viewed as coming from the top and as an adaptation to the environment (Meyer and Rowan 1977; DiMaggio and Powell 1983). However, in terms of budgeting reforms on the regional level, one may observe diverse situations.

First, keeping in mind what has been said about strong Russian accounting traditions (Bourmistrov 2001; Antipova and Bourmistrov 2013), the reforms can also be seen as conditioned by competing institutional logics, such as global discourses (PA, NPM, etc.), the Soviet legacy, and verticality of power (Khodachek and Timoshenko 2018). The Russian context itself is quite "dense": there are many strong institutions inherited from the Soviet or Empire past, such as the sediments of accounting norms and practices (Bourmistrov 2001). Another example is the recently adopted federal law "On strategic planning in Russia" that may easily revive the Soviet planning system. The authors of the law call it "Gosplan 2.0", referring to the name of the Soviet planning government body (Rozhkova 2014).

Second, central and local actors can be more influential on the regional level than global actors on the federal level. Wildavsky and Caiden (2001) suggest that a budget may be regarded as a contract. On the macro level, regional budgets may present a contract between Russia's federal players and Russia's regional elites. On the micro level, in the Russian regional government context, this contract may take place between various federal and regional players, regional government executives, investors, business groups, and sometimes also regional politicians. Their (institutional) work, understood as conscious attempts to make the public sector more manageable, could lead to support of the budget mechanisms they have found appropriate for their needs.

Therefore, when comparing budget reforms in two Russian regions, we need to account for all three sources of influence, starting with international reform ideologies, continuing with the Russian context, and ending with regional contexts.



Picture 1. Forces that may influence regional budget reforms in Russia

For the purpose of this paper, this was done through:

- understanding regional economic profiles;
- identifying the most influential stakeholders;
- analysing policy documents, reform concepts and programmes during 2004–2014; and
- describing how the budget appeared in 2014.

To make this clearer, the key features of the two cases are presented in the analytic table below. A brief interpretation of the comparison also follows.

The two regions have many similarities, such as diversified economic profiles and geopolitical importance for federal authorities and neighbouring states. There are also differences in their experience of budget reforms. Overall, federal authorities have traditionally been more influential in Murmansk region than in Leningrad region. Primarily this applies to the federal Ministry of Defence and Ministry of Finance. In Leningrad region, the regional elite has traditionally been very close to Saint Petersburg and during the 1990s and 2000s naturally tried to benefit from its

	Leningrad region	Murmansk region
Economic profile (activities, dominating in GRP)	Manufacturing; Construction; Transport; Production and distribution of energy; Agriculture	Mining; Manufacturing; Public and military affairs; Trade and services; Transport
Key stakeholders (influencers)	Saint-Petersburg; Bank “Rossiya”; Russian Railways; Volga Group; border states (mainly Finland, Estonia) and foreign investors	Ministry of Defence and Ministry of Finance; Norilsk Nickel; EuroChem; Fosagro; Severtal’; Russian Railways; Gazprom; Rosneft; Rosatom; border states (mainly Norway, Finland)
Budget reforms since 2004	NPM-like ideas in 2004 regional finance reform programme, more extreme than federal ideas, further changes in norms are within federal guidelines, but with more focus on investment climate, rapid turn to programme-based budgeting in 2012 followed by dramatic increase of programme share from 29% in 2013 to 93% in 2014, traditional strong influence of Saint Petersburg with growing influence of federal centre	Direct appeal to federal norms, concepts and ideas, in turn linked to NPM, participation in pilot programme of regional finance reform led by federal Ministry of Finance in 2005–2009, strong influence of financial crisis, smooth adoption of programme-based budgeting in 2009–2014, strong influence of federal centre, particularly Ministry of Defence and Ministry of Finance
Budget in 2014	Programme-based with 93% share of programmes, mid-term (three-year) planning, performance oriented	Programme-based with 99% share of programmes, mid-term (three-year) planning, performance oriented

Table 1. Comparison of budget reforms in Leningrad and Murmansk regions

huge market and the geographical location. The main difference in the budget reform experience of the two regions is that Murmansk region participated in a federal pilot programme of reforming regional finances in several counties, but Leningrad region did not. Despite this difference in 2014, both regions apply rather similar systems suggested by federal guidelines. Their budgets are approved for three years, the programme share is high in both regions, and the rhetoric of official reform texts is very reminiscent of NPM ideology. Although the role of federal players was previously less significant in Leningrad region, recently it has been seen to increase and dominate the decision-making.

CONCLUSIONS

This study has sought to contribute to our understanding of the specificity of the High North context through describing and analysing budget reforms on the regional level in Russia.

Budget reforms appear as an important element of the institutional landscape, which, as informed by new institutional theory (DiMaggio and Powell 1983), reflects the penetration of global public sector reform discourses to the regional level. In this process, these competing discourses are accompanied by contradictory elements of the Soviet past and the emerging Russian version of autocratic personalized governance, the verticality of power. Overall, the global discourses, such as New Public Management, the Soviet legacy, and the verticality of power are seen as competing institutional logics (Thornton et al. 2012), framing the budget reforms on the regional level. By contrast, the actions of central and local stakeholders engaged in regional governance and economic activities are seen as institutional work (Lawrence et al. 2009), which contributes to the budget reforms on Russia's regional level and creates unique institutional landscapes in each of the regions.

The main research question of this article was:

- How does the regional context matter in terms of explaining differences in implementing budget reforms and what implications does this have for understanding the High North context?

As suggested by Khodachek (2017), in order to address the regional level of Russia's governance, it is important to consider the federal agendas and their implications for the regional level. Thus, the first sub-question was:

- What are the key features of the Russian context regarding budget reforms and what implications may this have for Russia's regions?

The Russian context is distinct from that of other High North states due to the differences in historical and governance traditions. As suggested by Khodachek (2017), it is complex, dynamic, and controversial. All four global public sector reform ideologies – Public Administration, New Public Management, New Public Governance, and neo-Weberian state – have contributed to central government budgeting norms along with the Soviet legacy and the verticality of power. Seen as

institutional logics, they tend to co-exist and may lead to hybridization (Khodachek and Timoshenko 2018).

The second sub-question has helped to enhance understanding of the regional contexts – actors, reform agendas, and their reciprocal influence:

- What are the key contextual elements in the regional institutional landscape that may reveal the diversity of regional contexts?

Thus, when it comes to reform perception and implementation on the regional level, there are contextual peculiarities. The comparison presents the economic profile, relations with federal authorities, and a set of local stakeholders as important contextual elements in understanding regional budget reforms. It is hard to say whether reforms are influenced by the regional contexts more than by the federal dictate. A more precise formula would be that the set of reforms is the same and is defined by federal authorities, but the regional contexts influence the manner and the speed of their adoption.

The comparison between the two regions shows that although both regional contexts have been affected by the global public sector reform discourses and have followed the federal reform policies, the differences in the sets of stakeholders may explain the slight variance of the budget reforms. In Murmansk region, located in the High North, the federal stakeholders have been more active than in Leningrad region, which is probably why the initial reform framework was closer to the (initially voluntary) federal guidelines. A very cautious generalization from this study suggests that the governance of the High North regions in Russia is more dependent on the federal level, implying less local autonomy than in non-High North regions with similar economic profile.

The findings of this paper are limited, being bounded by the empirical data collected, which involves just two cases, the contexts analysed, and the theoretical implications. Extending the number of cases to other High North (and non-High North) regions could enrich our understanding of the roles different stakeholders have in shaping institutions on Russia's regional level. Studying the decision-making practices within the corporations and federal state organizations with activities in the High North could be another avenue for further research.

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