

## Analysis

# Russian Federalism: Can It Be Rebuilt from the Ruins?

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## Abstract

As president, Vladimir Putin sharply reduced the power of Russia's governors, removing them from the upper chamber of parliament and taking the power to appoint them, rather than letting their constituents elect them. However, these moves did not increase the governability of the regions. Minister of Regional Development Dmitry Kozak is now promoting a plan that would return considerable powers to the region. However, this plan has yet to win Kremlin endorsement and therefore has not been implemented.

## Reducing Regional Autonomy

During his presidency, Vladimir Putin repeatedly emphasized that he was the heir to a Russia that was near the point of disintegration. From the beginning, he set restoring central control over Russia's regions as his goal. His approach was to both create new political institutions, early on termed the "vertical of authority," and reduce the autonomy of Russia's governors and republic presidents. The Kremlin turned out to be much more skilled at undermining governors than creating institutions. In the process of recentralization, elements of a federal system that had been emerging under Yeltsin were deeply eroded or destroyed.

Putin's institutional innovations began with the creation of seven federal okrugs with a presidential representative (*polpred*) assigned to each. Putin's "eyes and ears in the regions" took on the job of monitoring the work of governors and the regional branches of federal agencies. The okrugs were superimposed on the existing administrative structure in an effort to improve central control and coordination, but the *polpreds'* ability to carry out this assignment was inadequate to the task.

In the ensuing years the Kremlin attempted to hamstring governors using the full range of levers at its disposal. Putin removed regional leaders from the Federation Council, the upper chamber of the Russian parliament, depriving the governors of their collective veto over federal policies toward the regions. Prosecutors were ordered to initiate criminal proceedings against a large number of governors in 2003–2004, often for relatively minor infractions, but which threatened removal and possible prison terms. Most of these cases were later dropped, though only after the Kremlin had made its point.

Perhaps most importantly, in the aftermath of the Beslan school tragedy in September 2004, Putin eliminated popular elections of governors. Starting in 2005 the president nominated governors, after which they were formally approved by regional legislatures. Many

governors were reappointed, either when their term expired or in advance, but the message that they could be removed at any time was clearly communicated. That said, the governor remains the most powerful figure in any region, and there has been no mass exodus of governors in search of more powerful or more rewarding positions. Only two governors voluntarily accepted posts in Moscow that they considered promotions: Yuri Trutnev left Perm' to oversee Russia's energy assets as minister for natural resources, while Sergei Sobianin left Tiumen' to head the presidential administration under Putin. More recently, he was named first deputy prime minister in the new Putin-led government with a wide range of responsibilities, including regional policy.

Another track for achieving recentralization was a redistribution of powers that took place in 2003–2004. Functions that had been within the purview of regional officials or shared with the center were brought under federal control. The lack of effective new institutions meant that the decision-making authority shifted by default to existing central institutions – the national ministries and their territorial representatives. Tax revenues were reallocated from the regions to the center and returned to the regions only for particular, limited purposes. Dmitry Kozak, the current minister of regional development, has estimated that the ratio of federal to regional powers over regional policy became roughly 70 percent to 30 percent. This shift was accompanied by a rapid expansion in the number of federal bureaucrats in the regions Russian Statistical Agency (Rosstat) data, while omitting many types of federal agencies in the regions such as law enforcement agencies, indicate the major trends that took place in the Putin years. End-of-the-year figures for 2001 and 2006 show the number of federal executive officials in the regions increased from 348,300 to 616,100. This growth far exceeded the number of regional-level bureaucrats both in quantity and in the rate of increase. (In 2001 the number of regional executive branch officials was 169,900; by the

end of 2006 the figure was around 200,000.) The largest increase in federal officials in the regions took place in 2005, 29.3 percent in one year.

Finally, Putin put considerable effort into creating a new, hierarchical structure for political control from the center. The Kremlin helped the United Russia (UR) party achieve a near monopoly on political activity at both the federal and regional levels. By 2007 almost all governors had joined the party, and it succeeded in gaining a sizable majority in nearly all regional legislatures. In May 2008 the last region with a non-UR majority in its legislature, Stavropol' krai, fell into line. As in other regions, this outcome was a product less of popular support for the party than of pressure on legislators to change their party affiliation.

While the creation of a political monopoly all but destroyed Russia's emerging party system, United Russia's effectiveness as an instrument of centralization was low. Only now is United Russia beginning to create what it terms a "cadre reserve" to fill the top regional posts. Governors were not governors because they were members of UR; they became members of UR because they were governors, and the Kremlin insisted that they join. The party had few tools, other than the threat of expulsion, to exercise discipline. Political power within a region resided with the governor. As the Russian political scientist and UR deputy Sergei Markov put it, "The head of the Voronezh branch of United Russia does not give orders to the governor who is a party member, it's the governor who gives orders to the head of the Voronezh branch of United Russia." Still, the relationship between governors and the Kremlin shifted dramatically in favor of the latter.

### Failure to Increase Governability

Did Putin's centralizing policies do anything to improve the governability of Russia? They certainly helped achieve the reelection of Putin to a second term in 2004, the creation of a United Russia supermajority in the Duma elections in 2003 and 2007, and the 2008 election of Putin's choice to succeed him as president, Dmitry Medvedev. Governors and republic presidents were reportedly given specific targets to meet in turnout and the percentage of the vote, and they responded with all of the instruments at their disposal.

In key respects, however, recentralization was a failure. Redistribution of budgetary funds and regional investment (the few "donor" regions providing the resources) were taking place in a context of high government revenues generated by oil prices, but the impact on regional development was negligible. The Putin years were marked by a growth in regional inequality, not its reduction. Russia has the widest gap between rich and poor regions of any developed country. In its 2007 re-

port on human development in Russian regions, the UNDP found that Moscow and oil-rich Tiumen' were at the level of the Czech Republic, St. Petersburg and Tatarstan approached Bulgaria's level of development, while the lagging regions of Ingushetia and Tuva were closer to Mongolia or Guatemala. The trend was for better performing regions to add to their relative advantage, while poor regions fell further behind. A 2008 Ministry of Regional Development (*Minregion*) report found, for example, that industrial output in the top 10 regions exceeded the bottom ten regions by 33.5 times in 2006 and 39.1 times in 2007. Poor regional investment climates were the norm. Progress in rebuilding Soviet-era infrastructure was inadequate, particularly in the poorest regions. Small business development in the same regions was stalled or deteriorating. From the standpoint of removing bottlenecks to growth and social-economic development, recentralization was not working.

The shift in functions to Moscow-based ministries produced massive coordination problems. Central funds were being allocated through Moscow-based ministries or agencies, often without taking into account regional needs. Waste and duplication in the use of federal funds, and common bureaucratic pathologies manifested themselves everywhere. A situation emerged that could be termed "dual insubordination." Ministry territorial representatives were far from Moscow, and control of subordinates was weak. Lack of formal subordination to governors meant they were often free to do as they chose, and that had little to do with regional interests. (Not coincidentally, the Putin era was marked by a major increase in corruption in the regions.) The result was a situation where governors were now appointed by Putin, but he had taken away from them ultimate responsibility for much that went on in their regions.

### A New Round of Reforms

It is to Putin's credit that he sought a change that would address these problems. Late in his second term, he brought back to Moscow his close adviser Dmitry Kozak, who had been serving as polpred in the southern okrug. (After Beslan, Kozak had been sent to try to restore stability in the region, which includes the troubled North Caucasus republics.) In September 2007 Kozak was named Minister of Regional Development and given a major role in designing a new policy toward the regions. Kozak's three years in Russia's south gave him new insights on how recentralization worked in practice. In speeches and interviews Kozak argued that recentralization had gone too far and that a fundamental change in regional policy was needed.

While he avoided using the term federalism, in fact Kozak's proposals called for a new relationship between center and regions that would strengthen governors at

the expense of federal ministries. The preference would be for decisions to be made at the lowest possible level, and this would apply as well to municipal authorities, who would become less dependent on governors.

The new approach represents a return to decentralized governance of regions with the main emphasis on economic performance. The federal role would be limited to law enforcement and establishing the “rules of the game” in the regions. Such an approach would include, for example, antimonopoly regulation and financial monitoring. In the most radical interpretation of Kozak’s program, most federal agencies in the regions would be dissolved, and regions would take over the day-to-day regulation of economic activity. Federal entities, such as Minregion and the Ministry of Economic Development, would award investment funds based on regional investment proposals in order to avoid duplication and encourage a division of labor among regions. It is in this context that Kozak has talked about the creation of ten “macroregions” in order to view territorial economic plans from a broader perspective. Governors would have much more flexibility in setting economic priorities, infrastructure policy, and establishing a favorable investment climate. Budgetary funds would go directly to regional and local governments for these purposes, and the most successful reformers would be rewarded with financial incentives for their regions.

#### *About the author*

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#### *Recommended Reading*

- Darrell Slider, “Putin’s Southern Strategy: Dmitriy Kozak and the Dilemmas of Recentralization,” *Post-Soviet Affairs*, v. 24, no. 2 (April–June 2008), pp. 177–197.
- United Nations Development Program, *National Human Development Report Russian Federation 2006/2007 Russia’s Regions: Goals, Challenges, Achievements* (2007).
- *Trud i zaniatost’ v Rossii 2007 g.*, Moscow: Rosstat, 2008.
- Ministry of Regional Development, *Osnovnyye tendentsii razvitiia regionov Rossiiskoi Federatsii v 2006–2007 godakh (sbornik materialov)*

There has been virtually no public discussion of resuming popular election of governors. Governors would apparently be accountable only to the center, not to voters. Kozak’s plan entails the use of statistical indicators to assess the performance of regional leaders. Expectations would be higher for regions that received greater assistance from the center—the poorest, most “economically depressed” regions. They would be expected to produce jobs, housing, increased investment, and small business development at a rate higher than the Russian mean. If they fail, not only would the region risk losing budgetary incentives, but governors could expect to lose their posts.

Kozak first detailed his proposals in October 2007, but to date his new regional policy has not received final endorsement by the Kremlin and Putin’s government. It still requires a legislative foundation. One can assume that most ministries will attempt to block any change in their regional functions. But in his favor, Kozak’s initiative coincides broadly with the priorities that Dmitry Medvedev has promoted from the start of his presidency. Radical administrative reform in the regions would be consistent with reducing corruption and lowering the barriers to small business that are impeding Russian economic development.