

Overview over Regional Election Results

	United Russia	KPRF	Just Russia	LDPR	Patriots of Russia	Electoral turnout
Kabardino-Balkaria	72.3%	8.4%	12.3%	7.0%	-	83.6%
Karachaevo-Cherkesia	69.6%	10.1%	5.0%	2.6%	11.4%	77.2%
Tatarstan	79.3%	11.2%	4.8%	3.1%	-	78.4%
Khakasia	57.3%	14.7%	7.2%	10.2%	7.3%	50.3%
Nenets Autonomous Okrug	42.5%	20.9%	12.7%	19.8%	-	48.8%
Arkhangelsk	51.9%	16.6%	17.8%	10.0%	-	38.0%
Bryansk	53.9%	23.7%	8.6%	10.4%	-	48.1%
Vladimir	51.3%	27.8%	8.8%	8.9%	-	33.9%
Volgograd	49.4%	23.6%	13.3%	9.8%	1.2%	42.1%

Source: <http://www.vybory.izbirkom.ru/izbirkom.html>

Analysis

Rostov Oblast: Transformations during the Economic Crisis

By Maksim Vaskov, Rostov-na-Donu

Abstract

Rostov Oblast had been relatively successful over the previous decade, but now is facing economic challenges as a result of the global economic crisis. Unfortunately, the Rostov regional and local leadership lacks adequately trained personnel to address the problem; policies adopted so far focus on saving large enterprises rather than developing the region over the long term. The economic crisis is unlikely to provoke political instability since there is little organized opposition and the various groups affected by the crisis – such as members of the middle class who lost their jobs and marginalized Communist Party backers – are unlikely to join ranks against the incumbent leaders.

Economic Difficulties Create Challenges

Rostov Oblast is the administrative center of the Southern Federal District, making it the strategic center of the entire North Caucasus region and the focal point of the federal transportation system in this part of Russia. It is among the Russian regions with a strong agricultural sector and several types of industry. Rostov is second only to Krasnodar Krai in the region in terms of integration into the national and international financial-economic system.

Unfortunately, during the current global economic crisis, the region's high level of development means that it is facing severe difficulties. Regions that in the past attracted foreign companies are now suffering from the crisis, leading to layoffs and, consequently, increasing social and political tension. The regions that had

fewer links to the world economy, where local output consists mainly of small- and medium-sized businesses that generally serve only the domestic market, have suffered least of all.

Likewise, the fate of various regions depends on whether they have access to recession-proof industries. Within the Southern Federal District, Krasnodar Krai is lucky to have a large part of its economy focused on preparations for the 2014 Sochi Olympics. The region will benefit from the guaranteed profits provided by the state orders for new infrastructure and payments into the krai budget. The North Caucasus republics receive extensive federal budget subsidies and these will continue, but the crisis has definitely hurt these struggling economies. The federal government hopes to prevent a situation in which economic difficulties cause an

increase in ideologies favoring religious extremism and separatism among the region's Muslim populations.

Rostov Oblast cannot depend on such support. Even efforts to help the giant Rostselmash factory have more to do with politics than an effort to address real economic issues. According to the Rostov Oblast administration, only 37 local enterprises can count on state aid. These are typically large enterprises working in transportation, energy, metallurgy, the military-industrial complex, retail sales, food-processing, and housing construction. Other businesses will not receive support from the regional authorities. Even lower taxes will not be enough to help many of these firms survive in the long-run since the relatively small amount of money saved will not be enough to develop new business.

There is no shortage of economic difficulties. The Rostov Oblast budget now faces a deficit greater than 4 billion rubles (\$113 million) and, in some cases, there are simply not sufficient funds to meet pressing needs. More importantly, overall investment growth in 2008 fell short of what had been anticipated. This shortfall hit the region hard because in 2007 Rostov had already fallen behind investment growth figures for Russia as a whole. Whereas overall Russian investment growth was 19 percent, the figure for Rostov was 11 percent. In 2008 most investment went into Rostov's large enterprises. Little investment went into the crucial agricultural sector, with regions like Krasnodar and Voronezh doing a better job of attracting companies working in this sector.

Rostov is also dealing with rising inflation. From November 2007 to March 2008, Rostov was among the regions suffering from the greatest price increases in Russia. Subsequently, the situation stabilized, but now it is starting to turn sour again. While all prices are rising, it is the increase in food prices that is most important. In 2008, real incomes in the region grew 7.3 percent, whereas they had grown 15.2 percent in 2007.

Rostov's economic troubles are increasing political and social tensions. Already there have been numerous layoffs. Ironically, however, the number of vacancies is greater than the number of dismissals, but this does not solve the problem. The majority of people who lost their jobs were in prestigious professions. These jobs were well paid and held by people who are well educated, ambitious, and used to a high standard of living. Many of the openings now are for unqualified workers and it would be extremely difficult for the people who lost their previous jobs to settle for such lowly positions.

Local Response

The policy choices of the local authorities play a key role in defining how well a region is able to adapt to the evolving situation. Here there are a host of problems connected to regional cadre policy. Officials have already noted that leaders at all levels of regional Russian politics suffer from insufficient training. They lack the ability to work in crisis situations since there is little effective planning and guidance on how to proceed. In Rostov Oblast, the bureaucracy is an absolutely closed corporate society. The staff of Deputy Governor S. G. Kuznetsov evaluates applications for civil service positions, apparently based on his personal sympathies and on recommendations of current bureaucrats or their relatives. Objective criteria, such as professionalism, level of knowledge, or work experience, play less of a role. Competitions for civil service positions typically are fictitious since their winners are usually determined in advance. This practice closes off opportunities for high level professionals from business or academia to secure spots in regional management structures and creates an extensive complex of negative social consequences. The staff of the presidential representative to the Southern Federal District is discussing these issues, but has not been able to implement effective measures to address them.

Monitoring the implementation of anti-crisis measures shows that the greatest problems occur where the regional leadership should actively intervene, identify the key problems, and take responsible decisions. Here, in full measure, we can see the results of strengthening central control from Moscow and the disproportionately large role of bureaucrats in regulating the economic, social, and political spheres of society, and, as a result of this, the absence of social mechanisms for self-regulation.

The policy of creating the "vertical of power" during Vladimir Putin's presidency sought to increase the presidential administration's control over the regions and combat separatist tendencies. As Moscow enhanced its control, the governors started to create their own "verticals of power," suppressing the opposition in regional legislatures and local governments. They used administrative resources to help elect candidates loyal to them in the regional legislature and as mayors. In Rostov Oblast, as a result of this policy, of the 50 deputies in the Legislative Assembly, 45 represent United Russia and five the Communist Party. Communists head only two rural areas of the 12 urban districts and 43 rural raions. The other opposition parties have no official offices.

The result is that Rostov Oblast's managers at the regional and local levels are industrious, but poorly trained. The bureaucrats are ready to carry out any order from above to preserve their jobs regardless of the consequences. Therefore, the policy of the Rostov Oblast leadership is characterized by inertia.

Although there is a plan to deal with the consequence of the crisis, its gist boils down to simply cutting expenses without a serious examination of the long-term perspectives for the economic and social development. In particular, there is no plan to cut financing for loss-making sectors of the economy to a minimum, while concentrating capital in promising areas and creating a foundation for further development.

Consequences of Poor Management

The lack of qualified personnel has hurt the authorities' ability to deal effectively with foreign investors. The regional authorities are definitely interested in attracting foreign investors. They have had considerable success in providing security for Russian and foreign businessmen, helping with tax benefits, and developing infrastructure to provide attractive working conditions. However, having solved the problems that plagued investors in the 1990s, a new crop of challenges arose. Now the chief problem for foreign investors is not corruption (this affects mostly Russian businessmen who have to deal with local governments), but the incompetence of executive branch employees.

The example of General Motors provides a good example of these problems. Attracting investors to the region, which still relies on subsidies, is an important part of the authorities' efforts to secure tax revenue for the budget, particularly after the beginning of the economic crisis and the suspension of the project to develop a tourist recreation zone. The Rostov bureaucrats' active participation in international economic forums and their invitations to business, unfortunately, are often accompanied by poorly designed legal and economic proposals. To encourage General Motors to build a factory in the region, the authorities offered the company tax breaks as well as a construction site with links to the necessary infrastructure. However, during the process of drawing up a contract, it became clear that the Rostov authorities

had exceeded their authority in giving such promises. Russia's complicated legislation divides responsibilities between the regional and local authorities. Addressing a number of problems, such as allotting the land for construction, connecting the sewers, and dealing with environmental issues are the competency of the local government. Even at the local level, there is often conflict over who does what since the municipal council, rather than the executive branch, frequently holds jurisdiction. Disagreements among the authorities and the threat of legal disputes ultimately halted the negotiations.

Moving Forward

Ultimately, the internal economic and social trends in the Rostov economy will not by themselves lead to some sort of systemic or radical changes. The continued stability or destabilization of the political situation does not depend on the activities of the regional authorities but on external factors. While there will be a gradual reduction in living standards for the population, there will not be any significant social or political conflicts.

The situation could change radically if the crisis intensifies and massive layoffs ensue. None of the existing opposition parties, the Communist Party of the Russian Federation, Just Russia, the Liberal Democratic Party of Russia or the regional representatives of the radical political groups in the Other Russia coalition are able to take advantage of the growing protest feelings. Rostov is currently conducting by-elections to the City Duma and none of the opposition candidates has been able to use the crisis to his benefit. The people who are suffering from the crisis are not likely to unite into a political movement because they all have different values and characteristics. Unemployed members of the middle class will not join ranks with the marginal supporters of the KPRF.

The social consequences of the crisis could become more apparent in 2010, when the governor's term will expire and the question of his successor will be high on the agenda. Additionally, then there will be elections for the mayor of Rostov-na-Donu, all seats in the City Duma, and more than two-thirds of the local government heads.

About the author:

Maksim Vaskov is a candidate of historical science and a senior fellow at the Center for Systemic Regional Research at Southern Federal University and the Center for Social-Political Research of the Russian Academy of Sciences.