different from Western legal systems in which the ability to retain competent lawyers has a profound influence on the chances of victory. In Russia, the currency is less likely to be money and more likely to be political connections, but the impact is the same. Where Russia parts company from its Western counterparts is in the lack of predictability as to when ‘telephone law’ will trump the law that is set out in statutes, and in its willingness to use criminal prosecutions as a weapon against opponents. These features raise the stakes considerably and help explain why Russia consistently languishes near the bottom of all indexes that purport to measure the rule of law.

Having a legal system that treats everyone equally means little if it is difficult to access. On this criterion, Russia’s performance is more impressive. Going to court, in fact, is a relatively quick and inexpensive way to resolve problems. This does not mean that Russians are eager to do so. As in other countries, going to court in Russia is a last resort exercised only when efforts to resolve difficulties informally have failed. Once in court, cases are generally resolved within several months, if not more quickly. The filing fees have deliberately been kept low and the procedural rules are sufficiently straightforward that many litigants in non-criminal cases are able to represent themselves. The weakness of the adversarial system means that parties who oppose one another in court need not emerge as mortal enemies, as is so often the case in purer adversarial systems like those in the US and the UK. In comparison to Western legal systems, the Russian courts are easier for non-legal specialists to access. For the most part, however, the indexes that track levels of the rule of law around the world do not take account of this more positive aspect of the Russian legal system.

Chapter 10

A Federal State?

DARRELL SLIDER

Federalism in Russia has always been a contested concept. Regional elites and liberal politicians at the centre have seen the division of power and decentralization of some policy making as a precondition for effective governance and further democratization of the political system. More traditional Russian political views, including those held by most communists and Russian nationalists, have viewed regional autonomy or a genuine sharing of powers with the regions as first steps toward the disintegration of the country. For many it conjures up memories of the collapse of the Soviet Union, as Soviet republican leaders took power through elections and forced concessions from Mikhail Gorbachev that set in motion the weakening of central power. The ethnic identity of republics has led some Russian nationalists to urge the redrawing of administrative boundaries to eliminate republics, perhaps by restoring the administrative boundaries of the guberniyas that existed in the Tsarist era.

When Vladimir Putin became president in the spring of 2000, the first issue he confronted was the relationship between the regions of Russia and the centre (the federal government). Under Yeltsin, Russia for the first time in its history had adopted federalism as a basis for organizing the relationship between the centre and the regions. The historic pattern of governance had always been highly centralized, despite the formal label in Soviet times which designated Russia as the ‘Russian Soviet Federated Socialist Republic’. The ethnically driven democratization of the late Gorbachev era was employed not just by the Baltic republics, Georgia, Ukraine and Russia to push for greater autonomy vis-à-vis the Soviet Union but within Russia as well. Yeltsin’s adoption of a federal model was in part making a virtue out of necessity: the Russian government was too weak and divided to exert control over the provinces, and allowing regions some political and economic autonomy overcame separatist pressures. The only region that was an exception to this was Chechnya, where Yeltsin launched a brutal war in late 1994 in an unsuccessful effort to bring the republic back under Russian control.
Tax revenues under Yeltsin were allocated in ways that helped to buy off regions that were 'most likely to secede’. Some sort of redistribution is essential in a state like Russia, where oil and natural gas are the biggest sources of tax revenue, since only a few, sparsely populated regions account for the bulk of these revenues. Precise data on the relative share of central region revenue sharing are impossible to obtain because regions were using non-monetary barter deals to collect taxes from enterprises at this time. Special provisions gave regions such as Tatarstan and Bashkortostan the right to keep resource revenues that normally would go to the centre. Overall, both the federal centre and regions suffered from the lack of revenues due to economic disruption and low resource prices through the 1990s.

Yeltsin’s 1993 constitution provided the broad outlines of a division of powers between centre and regions, though much was left to be done through subsequent legislation. At the time the constitution was adopted, there were 89 ‘subjects of the federation’, which included different types of entities which in large part were a legacy of the Soviet-era administrative divisions. Republics (as well as smaller entities such as ‘autonomous oblasts or regions) had been created to reflect historic homelands of non-Russian ethnicities. By 2014 the number of federal entities had declined to 83, as a result of the mergers of regions that took place during Putin’s second term, between 2005 and 2008; the result was that many of the sparsely populated ‘autonomous oblasts’ were absorbed by neighbouring oblasts. The most numerous regional administrative entities which contain most of the population are ethnically Russian oblasts and larger krais or territories (Russians comprise around 81 per cent of the total population), along with two cities that have federal status – Moscow and St Petersburg. From the beginning of the Yeltsin period, the realities of the distribution of political power and the role of nationalism among several key non-Russian ethnic groups meant that the Russian model of federalism was ‘asymmetric’: some regions were given more powers than others. Yeltsin famously urged ethnic republics to ‘take as much sovereignty as they could swallow’. Bilateral treaties and agreements were negotiated separately with regions, sometimes with provisions that took the form of secret protocols.

Initially Yeltsin appointed governors of regions. Popular elections of republican presidents and later of oblast governors at first took place without central approval, but by 1995 Yeltsin had accepted the principle of elected regional leaders. Konitzer (2003) makes the case that the elections held between 1995 and 2001 saw real contestation; on average there were three viable candidates competing for the top regional post. Konitzer also argues that voters often rewarded or punished sitting governors based on the economic performance of their regions. Voters often elected candidates whom the Kremlin opposed. ‘Red governors’ from the Communist Party managed to win elections in many of the more conservative regions (by 1999 there were 14 Communist governors), and candidates from other political movements also won in a few cases. New regional legislatures were also elected regularly, starting in 1994. At first, political parties were hardly represented in these bodies, but over time party fractions developed, and assemblies in some regions played an active and independent role in governance.

The constitution provided for an upper house of parliament to represent regional interests, the Federation Council. It consisted of two representatives from each region who were initially elected, but later the top executive and legislative official in each region became ‘senators’. In the Yeltsin years, the Federation Council played a major role in the legislative process, and it often vetoed laws that had been submitted to it by the State Duma which were perceived to threaten regional interests. According to Remington (2003), between 1996 and 1999 the Federation Council vetoed approximately 23 per cent of the draft laws submitted to it.

Putin’s vertical of power

In Putin’s narrative of the 1990s, one which he has retold again and again, the regions became too powerful at the expense of the centre and threatened the continued existence of the Russian state. Putin was himself a regional official, deputy mayor of St Petersburg until 1996, and in 1997–98 held the Kremlin post that oversaw the regions. Once he became president, Putin set about to establish a ‘vertical of power’ (in Russian, vertikal vlasti) that would subordinate regions to the centre in a hierarchical chain of command. Since regional executives – governors or republican presidents – were the key political actors in the regions, he began by creating a system that would allow him to better monitor their performance without depending on information from governors themselves.

One of the very first changes introduced by Putin was a new division of Russia into seven macro-regions – ‘federal districts’ comprising the Northwest, Central, Southern, Volga, Urals, Siberian, and Far Eastern territories. (In 2011, while Dmitri Medvedev was president, an eighth federal district, the North Caucasian district, was carved out of the Southern district.) A new administrative entity outside the constitutional structure was created to oversee these districts, called ‘authorized representatives’ of the president (polpred in Russian). The calibre and experience of the officials appointed to the post varied greatly, which reflected the fact that presidential priorities differed from region to region. Initially, most of the officials were not political figures or even government bureau-
crats. They were drawn from the siloviki – that is, senior officials with a military or police background. Perhaps as a reflection of Putin’s university degree in law, one of the first assignments he gave to his representatives was to bring regional legislation into line with federal legislation. While the polpreds were supposed to oversee regional leaders, they had few powers of their own and no funds to distribute. Their strength lies in their role as Putin’s emissaries and their line of communications to the Kremlin. Over time, appointments to the post of polpred have become quite varied. In crisis situations, Putin has turned to some of his closest and most trusted associates such as Dmitri Kozak (sent to the Southern district in 2004), Aleksandr Kholponin (sent by Medvedev to the North Caucasus in 2010), and Yuri Trutnev (appointed to the Far East in 2013). Yet in 2012, Putin’s first staffing appointment upon returning as president was the Urals polpred, Igor Kholmanskikh, a foreman from a Nizhni Tagil tank factory with no political or administrative experience. Kholmanskikh had come to Putin’s attention during a live, televised question and answer session with the president in December 2011, just after massive anti-Putin demonstrations had been held in Moscow. Kholmanskikh offered to bring ‘his boys’ to Moscow to help subdue the protesters, if the police were not up to the task.

One of the purposes of ‘restoring’ the vertical of power was to reduce the degree to which Russian regions had asymmetric powers. Yeltsin’s bilateral agreements were either phased out or scrapped entirely. This affected most of all ethnic republics such as Tatarstan, Bashkortostan, and the North Caucasus republics. The implicit deal offered by Putin allowed the most popular and powerful regional leaders to remain in office, even if they initially resisted his strategy. More recently, even symbolic aspects of regional autonomy have been targeted – for example, the practice adopted in the early 1990s of calling the heads of republics ‘presidents’. By 2013, all, except for Tatarstan, had dispensed with that title and leaders are now called simply the ‘head’ of a republic. Tatarstan, which is home to part of Russia’s largest ethnic minority (Tatars make up about 4 per cent of the total population), retained some elements of its special status in a treaty signed by Putin in 2007, but the new treaty effectively eliminated the special status that Tatarstan had been awarded in its 1994 treaty.

A critical development in the strengthening of the vertical was the decision in late 2004 to end the popular election of regional executives. The pretext for this, as we have noted elsewhere, was the terrorist takeover of a school in Beslan, North Ossetia. The authorities’ confusion and disputes over who was in charge at Beslan led Putin to conclude that Russia was not ready for democratic governance at the regional level. Ending elections gave Putin the ability to appoint his own choice as governor, though formally his nominations had to be approved by regional assemblies. Putin was also increasingly able to remove governors who had ‘lost his trust’, although he rarely exercised this power and many of the Yeltsin-era regional ‘heavyweights’ continued to run their regions until 2010–11.

Another element of tightened central control was the rise of the ruling party United Russia. Almost all governors were forced to give up any previous party affiliations and join the ruling party. The Kremlin set as its goal a United Russia majority in every regional assembly. As a result of elections held between 2004 and 2010, United Russia went from a majority in 20 regions to a clear majority in 82 of the 83 regional assemblies (all but St Petersburg). In 62 of these regions United Russia held two-thirds or more of the seats, which allowed it to adopt any law without the support of other legislators. The declining popularity of United Russia in the aftermath of the December 2011 elections presented a dilemma for the Kremlin, which still sought to maintain a political monopoly in the regions. Most regions had mixed electoral systems, with at least half chosen by party list and half of the seats chosen by individual races in legislative districts. United Russia always dominated district contests to a much greater extent than proportional party-list voting, and this is what allowed the party to achieve a super-majority in most Russian regions. In late 2013, the Kremlin proposed a new law on regional elections which would reduce the seats allocated by party list to 25 per cent. This appears to be designed to permit a less popular United Russia (or a successor such as the ‘All-Russian United Front’) to take advantage of its near-monopoly control over local elites in order to preserve majorities in regional assemblies.

The speed with which Putin was able to transform an emerging federal system into a centrally controlled state was remarkable. Why did powerful regional leaders succumb to the new relationship with the centre virtually without a fight? In social science terminology, what regional leaders faced was a collective action dilemma. To stand up to the Kremlin individually would mean political suicide for even the strongest of regional leaders. The Kremlin was rapidly consolidating power – the 1999 Duma elections and subsequent defections to the ruling party (then called Unity) combined with Putin’s convincing election victory in 2000 created a new political reality. Meanwhile, Putin was demonstrating at this time how brutally the regime could act to bring a rebellious region under control – he had launched the second Chechen war when serving as prime minister in late 1999.

Part of the explanation for the shift in relative power from regions to the centre was the result of what Putin did to the Federation Council. Putin moved quickly to dismantle the principal mechanism for collective action by the regional elite that had been established in the Yeltsin years.
He transformed the upper house by first removing governors and speakers of regional assemblies as senators. They were replaced with appointees that were technically nominated by the regions (one each from the executive and legislative branches of regional government) but who were actually candidates ‘suggested’ by the Kremlin. At least one-third had no ties to the region they supposedly represented, and almost all were subject to manipulation by the Kremlin by virtue of the fact that they spent almost all of their time in Moscow. They soon understood that their well-being did not depend on representing their regions, but on maintaining good relations with the Kremlin office tasked with supervising them. As a result, the Federation Council virtually ceased to act as a defender of regions’ rights and federal principles. A Federation Council veto of a Kremlin-sponsored law, even if it was designed to undermine the powers of the regions themselves, came to be virtually unthinkable.

Scholars who have sought to explain the rapid change of centre-regional relations have offered alternative explanations. Goode (2011) makes the case that an important reason for regional leaders’ compliance with the new order was an implicit bargain that they would be allowed to impose the same hierarchical control over sub-regional political actors such as mayors and city councils. Sharafutdinova (2013), drawing on the experience of the non-ethnic Russian republics that had most aggressively asserted their sovereignty in the 1990s, argues that a radical shift in the political discourse under Putin left regional leaders with little choice. Public statements by leaders of Tatarstan could no longer tout federalism and democracy as a way of defending the republic’s special status. Putin had changed the rhetorical frame of reference to one of strengthening the state and overcoming disunity.

There were also powerful economic and budgetary factors that enhanced central control over the regions. Economically, thanks to rising oil prices and the recovery of the Russian economy in the period after the August 1998 default, the centre had access to greater resources with which to fund federal programmes and buy cooperation in the regions. Hanson (2005) has shown that federal revenues as a share of GDP increased dramatically at the same time that Putin was strengthening the vertical. Most regions were not given substantial revenue sources of their own and were therefore increasingly dependent on the Kremlin and the Ministry of Finance for budgetary subventions. In recent years, the budgetary problems of regions have worsened. Election campaign promises by Putin in 2012 required regions to raise wages for state employees in education and health care, but regional budgets were not correspondingly increased. As a result, according to the Russian regional expert Natalya Zubarevich, two-thirds of the regions in 2013 experienced serious budget deficits that have forced a reduction in government spending in other areas, such as infrastructure investment (Vedomosti, 24 September 2013).

In response to demands expressed by opposition demonstrators after the December 2011 State Duma elections, the Kremlin reinstated the popular election of regional leaders. Restrictions on competition and built-in advantages for the sitting governor, though, meant that the change has done little to change the place of governors in the system. Governors, elected or not, serve only if they are acceptable to Putin. They will still be evaluated by the Kremlin, and the process of elections is tightly controlled to prevent ‘accidental’ candidates from winning. When legislation for the return to elected governors was passed, it included a ‘municipal filter’ at the candidate registration stage which, when combined with other legal and extra-legal measures, effectively restricted political contestation. The municipal filter requires the signatures of between 5 and 10 per cent of local council members in the region; some regions further stipulated that the total would have to include at least one signature from 75 per cent of the councils. All the candidates favoured by the Kremlin won re-election and usually won by large margins. In October 2012, the first set of gubernatorial elections produced the following winners, all nominated by Putin: Amur (Oleg Kozhemyako), 77 per cent; Belgorod (Yevgeni Savchenko), 78 per cent; Bryansk (Nikolai Demin), 65 per cent; Novgorod (Sergei Mitin), 76 per cent; and Ryazan (Oleg Kovalyev), 64 per cent. In September 2013 the share of the vote taken by Putin’s nominees was as follows: Khabarovsky krai (Vyacheslav Shport), 64 per cent; Magadan (Vladimir Pechenyi), 73 per cent; Chukotka (Roman Kopin), 80 per cent; Zabaikal krai (Konstantin Ilkovskiy), 72 per cent; Khakassia (Viktor Zimin), 63 per cent; Vladimir (Svetlana Orlova), 75 per cent; Moscow oblast (Andrei Vorobyev), 79 per cent. The only candidate who came close to having to run in a second round was Moscow’s Sergei Sobyanin, who won 51 per cent (according to the official results). Viable opposition candidates in several regions were removed from the ballot or prevented from registering; in other cases candidates that the Kremlin wanted in the race were helped to pass registration barriers. Many regions adopted election laws that require all candidates to be nominated by a registered political party, thus precluding self-nomination.

In almost all regions it was precisely the fact that a sitting governor was running that predetermined the outcome. Governors and their subordinates have enormous advantages, which have become known over the years as ‘administrative resources’, that create an extremely unlevel playing field. Even in the election that was universally judged the most open and honest, Moscow’s mayoral election in September 2013, the advantages of incumbency proved decisive. Putin’s choice for mayor, Sergei
Sobyanin, tried to increase the legitimacy of his presumed victory by discouraging the typical forms of Russian vote fraud. He also supported steps to keep Aleksei Navalny, the emerging opposition leader, in the race. The municipal filter could have prevented all candidates except Sobyanin from running, since municipal councils were dominated by United Russia. Despite the effort to run a 'clean and honest' election, even in Moscow many aspects of the election were blatantly discriminatory. The two national government television channels which are viewed by the largest number of Muscovites ran repeated and lengthy reports on Sobyanin's 'achievements', including the ceremonial opening of a suspiciously large number of roadways, bridges, and metro stations in the days before the election. The same channels mentioned Navalny on the day he was registered as a candidate in July and then did not mention his name again until after the voting was over on 8 September. Navalny's attempts to purchase advertising spots on major radio stations were denied, apparently after pressure was placed on the stations from the mayor's office. Supporters of Navalny who hung banners for their candidate from their balconies saw city workers descend from the roofs on ropes to cut them down. Debates, without Sobyanin's participation, were limited to local channels with low ratings at inconvenient times of the day. That Navalny was still able to win, according to the official results, over 27 per cent of the vote was testimony to a vigorous campaign conducted mostly through face-to-face meetings with voters and aided by a small army of mostly young volunteers.

To provide an extra margin of control in 'difficult' regions – designed in particular for use in the North Caucasus republics – Putin pushed for a new law at the beginning of 2013 that allows regions to opt out of popular elections for governor. Instead, the regional legislature can select the head of the region, based on the nomination of candidates by Putin. In both Ingushetia and Dagestan in September 2013 the new provision was put to use, and republican legislatures in both regions overwhelmingly supported Putin's favoured nominees.

At the sub-regional level, the main officials are mayors of cities and municipalities. Unlike governors, they have continued to be popularly elected – a fact which potentially leaves them outside the Kremlin's power vertical. The 1993 Russian constitution intended this to be the case, as local government institutions were called 'organs of local self-management'. Notwithstanding the constitution, Putin's Kremlin has pursued multiple strategies over the years to bring mayors back under central control. First, the United Russia party was active in recruiting sitting mayors and played a major role in local elections of both mayors and city councils. As a result, the vast majority of Russian mayors are at least formally members (although this has not precluded conflicts between mayors and regional governors from the same party). Second, in many cities elected mayors have either been replaced or forced to share their powers with 'city managers' who have been chosen directly by city councils. Usually city managers have the power to determine how the local budget is expended. Third, a suspiciously large number of city leaders – particularly those who were political independents or members of opposition parties – have been removed from office on charges of corruption or misallocating city funds. In 2013, two of the most spectacular removals of Russian officials from their posts were the arrests (shown widely on Russian television) of the mayors of Makhachkala (the capital of Dagestan) and Yaroslavl. Both mayors were viewed as threats to the power of regional leaders who had close ties to the Kremlin, and were arrested by federal law enforcement agencies and immediately transferred to pre-trial detention facilities in Moscow. Finally, financial centralization has hit cities especially hard, and cities and municipalities became increasingly dependent on allocations from regional budgets and federal agencies.

There is little doubt that governors in the Putin era have continued to exercise considerable discretionary powers, and the post of governor is still highly desired among the Russian administrative elite. There have been a number of cases in recent years of federal ministers who have been appointed governors, and this is not viewed as a demotion. Among those 'promoted' to governorships have been Aleksei Gordeev, from Minister of Agriculture to Voronezh oblast, Sergei Shoigu, from Minister of Emergencies to Moscow oblast (though soon he was brought back into government as Minister of Defence), and Viktor Basargin from Minister for Regional Development to Perm krai. Fewer have taken the opposite career trajectory, from governor to federal minister.

**Interactions between governors and the president**

Direct personal interaction between governors and Putin, and Medvedev when he was president, is one key indicator of the relationship between these institutions and how it has changed over time. These meetings took place in a variety of settings. Many occurred in the course of visits to the regions by Putin or Medvedev, during which the president and governor would meet alone for discussions. In late summer, both Putin and Medvedev followed a practice of inviting governors to meet with them at the summer presidential residence in Sochi. The pattern of meetings shows several changes over time. Initially, Putin was reluctant to spend his time meeting with governors or republic presidents. In his first full year as president, Putin went a full nine months (from February to November...
2000) without meeting a single regional leader face-to-face. This appears to have been part of a strategy to preclude regional lobbying as he tightened central control. After Putin had more or less established the terms of the 'vertical', meetings with governors became more frequent from 2001 to 2004. There was another major increase in the number of meetings between 2004 and 2005. This marked the beginning of presidential appointments of governors and a change in their status to component parts of the 'power vertical'. Henceforth, there was a much clearer dependent relationship between governors and the president. The second change in the frequency of these meetings took place between 2009 and 2010, during Medvedev's presidency. This was a time of intensive personnel changes among governors, as the long-serving veterans of the Yeltsin era were forced out. The increased frequency of individual meetings ensured that virtually all of the (by now) 83 governors would meet with the president at least once every two years. Putin's return to the presidency in 2012 corresponded with the return of elections for governors, and while the number of these contacts continued to be higher than during Putin's first term, they began to return to the norm he had established in the mid-2000s. When Putin nominated an appointed governor for election, this meant the governor had to formally resign his or her post. The now 'temporarily acting' governor would meet once or twice with Putin in advance of polling day. This was a fairly transparent attempt to influence the outcome of the elections by demonstrating Putin's personal support.

Meetings with governors came to be routinely scheduled in order to conduct a periodic evaluation of performance. Face-to-face encounters provided an opportunity for governors to report on their regions, and sometimes they were subjected to an uncomfortable grilling when confronted by contrary evidence that the president had obtained from his own sources. In July 2012, for instance, at a meeting with Belgorod governor Yevgenii Savchenko, Putin tried including in these meetings several representatives of various local interests – in this case, a school principal, an entrepreneur, a hospital director, and the chairman of the region's 'youth government' who was also an entrepreneur. The point appeared to be to go beyond the normal recitation of statistics about regional performance in various sectors and hear testimony from the citizens of a region. The usefulness of this practice immediately came into question, given the obvious role of governors in selecting who would be invited to attend. One of the entrepreneurs, the owner of a coffee shop, had only positive things to say about the business environment in Belgorod and helpfully volunteered that 'no one has come to me with an inspection for the purpose of getting a bribe'; he had to be coaxed by the governor to 'name at least one problem'. The hospital director argued for more federal support for regional health care, to which Putin replied 'Did Yevgenii Stepanovich [the governor] coach you to say that?' The principal of the rural school talked about her pay increase and new computer technology that had been installed at her school. After several attempts to repeat this experiment, the practice of inviting other guests from the regions was discontinued by 2013.

Despite the fact that regional leaders have very little time with the president, the issues discussed – at least in the part of the meetings that is made public – are usually drawn from recent initiatives or promises made by the Kremlin. A significant portion of the interaction could be categorized as an attempt to verify policy implementation: for example, Putin would ask why was Kurgan region not yet paying teachers at a rate equal to or higher than the average pay in the region (as Putin had promised would happen)? Much of the discussion is centred on regional performance on economic and social indicators. Over time, the Kremlin developed a supposedly objective system for evaluating the performance of appointed governors. Soon it took on the appearance of micro-management. The first list of indicators, issued in 2007, included 43 criteria. By the end of the Medvedev presidency, the number of indicators had reached 460, with 260 'basic' and 200 'supplementary' indicators. A system of bonuses from the budget, amounting to an extra billion roubles per year to some regions beginning in 2008, was tied to the evaluation of regional governments' effectiveness.

In August 2012, Putin signed a decree changing the basis for evaluating governors, which greatly simplified the system. It reduced the indicators to 11, and governors were required to present reports based on the previous year's performance to the government by 1 April of each year. Changes in regional leaders are virtually never connected to regional evaluations, whether of 460 or 11 criteria. The formal list is supplemented with an informal list that is constantly being revised as new problems emerge. At the end of 2012, for example, in the context of controversies over adoption procedures, governors were tasked with monitoring adoptions and the development of regional sport complexes in their regions. Many of the indicators listed are outside the ability of governors to influence in any significant way. Demographic factors such as the size of the population and the death rate, for example, are less dependent on policy or policy implementation than on trends that were set years earlier. The birth rate is heavily dependent on the number of women of child-bearing age, and there is no means at this stage of overcoming the massive drop in the birth rate of the 1990s. Economic conditions, such as regional unemployment, are similarly dependent on the state of the overall economy. The climate for small business and outside investment is a function not just of regional policies but the policies of federal ministries that are
implemented by federal agencies in the regions. Businesses large and small are subject to tax audits, visits by police, fire and health inspections, and federal migration service raids.

For those indicators over which governors can have an impact, the process sometimes encourages a perverse manipulation of the outcomes. When regions are judged on the basis of test scores on the university entrance examinations (the Unified State Examination, or YeGE), the desire to help students get better scores than they deserve – by cheating – is shared by not just students and their parents but also by teachers, principals, city education officials, regional education ministers, and governors themselves. A similar set of incentives helps explain the temptation to commit vote fraud in national and regional elections, which it turns out are also often overseen by the school teachers who serve on precinct election commissions. One major unlisted indicator is the ability of governors to deliver votes for national presidential or Duma elections. The largest wave of resignations in recent years came in the aftermath of the December 2011 Duma elections, mostly in regions where United Russia received a share of the vote that was lower than the national average, and just before the new law on electing governors came into force. The message to regional officials is clear: failure to use their control over regional election commissions to squeeze out a higher vote for United Russia or for Putin could cost them their jobs. Reuter and Robertson (2012) have made the case that election results in the regions are the best predictor of whether or not a governor is removed or reappointed, and this factor is far more important to Russia’s authoritarian leadership than ‘good governance’ as measured in economic performance.

The only expressly political factor in the indicators is the approval rating of regional government, an indicator measured through public opinion surveys. Ideally, the resumption of popular elections for governors should make this indicator superfluous. But that would presume fair elections, taking place among an informed electorate and, most critically, the presence of genuine competition and at least one effective opposition party. For virtually every region, none of these conditions is in place, and governors work actively to preserve this political status quo. In this respect, the authoritarian political system established by Putin at the national level has been recapitulated at the regional level.

Group meetings with the complete contingent of regional leaders were also an important forum for Putin to hear views from the regions while announcing the goals and priorities that he had himself established. Particularly important were meetings with the State Council (Gossovet), an institution formed in 2000 with the purpose of providing a regular forum for discussions – led by Putin personally – on major issues of policy. In July 2012, the membership of the State Council was expanded to include the speakers of both houses of parliament and the heads of the party factions in the Duma. The group meets quarterly, sometimes in one of the regions, to consider topics such as improving the attractiveness of regions for investors (December 2012) or the quality of housing-related services (May 2013). Several months prior to the session, a working group is normally formed, headed by a governor, which prepares reports and recommendations. Several months after the session, Putin typically issues a set of detailed instructions to the Council of Ministers or particular agencies on preparing reports or draft laws, with deadlines for completion. A working body called the presidium is formed by choosing one regional leader from each of federal districts and then rotating the membership every six months. The presidium meets separately with the president four times a year and has an agenda that is different from that of the State Council. The State Council and its presidium allow for input by governors on important policy questions, but everything is advisory in nature and must pass through the presidential administration. No one who has observed a meeting of the State Council would be under the illusion that governors are treated as the political equals of the president. On several notable occasions Putin has scolded members for poorly preparing for the session or for not paying attention (talking among themselves or sending tweets, for example). In one widely reported exchange, Valerii Shantsev, long-time governor of the important industrial region of Nizhnii Novgorod, was warned by Putin to ‘never interrupt me again’ during a State Council session in May 2013.

**Federal agencies in the regions and the problem of decentralization**

The concept of a ‘power vertical’ is misleading in that it implies that there is one channel from top to bottom, from the Kremlin to the regions. The reality is that there are many dozens of channels, with each federal ministry and agency overseeing its own chain of command. Since 2000, hyper-centralization has produced an explosion in the numbers of regionally based officials of federal agencies. There are now roughly 2.5 times as many federal administrative employees in the regions as there are regional government employees. These federal officials in the regions are paid by, and report to, their headquarters in Moscow. They are not subordinate to regional officials, and yet the activities of these federal agencies in the regions greatly affect how regions are actually governed.
It is not unusual in federal systems for there to be such national-level agencies (the FBI, for example, in the United States) with offices in the regions. This reflects the division of powers and responsibilities that defines federalism. As the system has developed under Putin, however, the number of these agencies and the scope of their activities is far from normal. Federal agencies include not just law enforcement (the prosecutor’s office, the Ministry of Internal Affairs [police], the FSB, the drug enforcement agency and the Investigative Committee) and tax inspectors. A partial list would include the anti-monopoly agency, the office for registering property, the youth affairs agency, conservation officials, the migration service, technical standards enforcers, emergency services and fire inspectors, the federal roads agency, and many more.

The same complexity applies to the allocation of budget revenues from the centre to the regions. The actual practice of the Russian financial redistribution to the regions is typically not through regional governments, but through regional branches of federal ministries and agencies. In theory this gives the central government more control over how monies from the centre are spent. In practice distribution of much of this money is highly non-transparent. Rather than formula-based allocations (say, based on population or economic conditions) funds are distributed in response to behind the scenes lobbying. A large part of agency directed funding takes the form of various subsidies and subventions, including funding to support federal programmes in the regions. As a simplification measure the Minister of Finance in March 2013 proposed consolidating budget transfers (subsidies) from the current 90 (!) to 42, which would then correspond to the number of state programmes designated for the regions.

The pattern of numerous vertical channels of control and finance creates massive monitoring and coordination problems, which contributes to corruption and misallocation of resources. An obvious solution would be to roll back the excessive centralization of the Putin years and give more decision-making authority to regional leaders. During the Medvedev presidency, in June 2011, two of Russia’s most important regional administrators, Dmitri Kozak and Aleksandr Khlopnin, were assigned to head working groups to prepare proposals for decentralization of administration and finance. They reported their conclusions at a meeting of the State Council in December 2011. Kozak, a long-time Putin aide and former polpred for the North Caucasus, presented the most radical proposal: He called for a reorganization that would transfer to regions over 100 functions currently carried out by federal agencies. Over 220,000 federal employees in the regions, around 38 per cent of the total, would be reassigned to new regional agencies. Governors would also have greater say over who should head the federal agencies that remained in the region. Khlopnin, also a former Putin aide and the current polpred in the North Caucasus, proposed budgetary reforms that would replace the multiple funding streams with a single subvention or block grant to the region, so that governors could make their own choices about how to allocate the money. He also proposed increasing incentives for innovation and development by allowing regions to keep more of the taxes generated by these activities. As one might expect, governors were enthusiastic in their support of these proposals, while federal ministers found them ‘problematic’. Minister of Finance Anton Siluanov, for instance, warned that regional inequality would sky-rocket, while macro-economic stability would be undermined. Putin, still prime minister at the time, raised doubts that his budgetary priorities (for the military, security agencies and pensions) could be satisfied under the new scheme. He also doubted that ‘national standards’ could be maintained if regions took over federal functions (the State Council session transcript from 26 December 2011 is at president.kremlin.ru/news/14139).

Once Vladimir Putin returned to the presidency, there was a noticeable shift in tone. Very few new powers, it became clear, would be given to the regions, and the process would take place slowly to monitor any negative impact. At a second State Council meeting on this question in July 2012, Putin emphasized the accountability of governors if they did not effectively carry out any transferred responsibilities, thus setting the stage for dismissing even elected governors if federal ministers complained about their performance. At a December 2012 meeting with regional legislators Putin admitted that he was bored with the whole process of redistributing powers: ‘It all comes down to one thing – to the interests of specific agencies, unfortunately. As soon as you begin to talk about something being transferred to the regional level, this and this and this, immediately arises a whole mass of arguments from federal agencies on why it would be wrong to do so’ (see president.kremlin.ru/news/17125). While Putin has promised some decentralization, it was clear that his heart is still with federal ministers. As one Russian scholar with close Kremlin ties, Yevgenii Minchenko, put it, ‘The federal authorities, having announced a process of decentralization, really don’t want to give money to the regions’ (quoted in Kommersant-vlast’, 9 July 2012).

To summarize, it is difficult to describe Russia today as a federal state, since so many of the elements that constitute federalism have been deliberately undermined by Putin’s Kremlin. Regional politics has been, in effect, depoliticized by predetermining the outcome of elections or eliminating them altogether. Putin has frequently stated that the ideal governor is not a politician, but an effective manager. Institutions that
are supposed to represent regional interests at the centre have been weakened or destroyed. New institutions such as the State Council seem designed to control and channel the efforts of regional leaders, rather than seek their input. The division of powers and budgetary resources has become both highly centralized and yet compartmentalized, making coordination within a region nearly impossible.

Chapter 11

Managing the Economy

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The management of the Russian economy is becoming more difficult. Russia's GDP growth, in common with that of other emerging economies, slowed in 2012-13. It had been in the range of 4-5 per cent per annum in 2010-11. In 2012 the rate of growth dipped to 3.4 per cent. At the time of writing the outcome for 2013 was not known, but it is likely to be of the order of 1.6 per cent. There is talk in Moscow of 'stagnation', and considerable concern about the near future. For an emerging economy that was growing at 7 per cent a year before the financial crisis this is a challenge, even in a world of slower growth.

So far as GDP growth is concerned, Russia has ceased to perform better than the rest of the world. In 2013-16 the consensus of independent forecasters, compiled by Moscow's Higher School of Economics in October 2013, is that the Russian economy will be growing more slowly than the global economy as a whole (as projected by the IMF); see Figure 11.1.

Policy-makers, accordingly, face a challenge that is different from that which they encountered in the first phase of the global crisis, in 2008-09. On that occasion the falling oil price was the immediate source of trouble for Russia (even though it was not the whole story), and that price moved back up again in less than a year. Russia remains heavily dependent, financially, on the export of oil, gas and metals but this time something different is going on. In 2012-13, oil prices fluctuated moderately around a historically high nominal level. Yet Russia, a supposedly emerging economy, has begun to grow more slowly than the world as a whole. For good reason, the choices to be made in economic policy and reform are under intense scrutiny.

Meanwhile, for reasons that go beyond the recent slowdown, Russian economic policy-making has become more contentious. In 2006, a senior Russian economist remarked to me that disagreements on economic policy within the leadership 'are mainly technical these days – that's an improvement'. The making of economic policy in Russia, he implied, was no longer the outcome of head-on collisions of radically opposed points of view.