FEDERALISM

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Kremlin–Governor Relations in the Run-Up to the 2018 Presidential Elections

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Abstract

The evolution of Kremlin–governor relations is driven by the center’s dilemma of how to exert control over the regions without undermining regional stability. In view of the 2018 presidential elections, the Kremlin solution to this dilemma is not a long-term strategy, but a shortsighted technocratic approach together with a stronger official anti-elite and anti-corruption line.

Control v. Competence

Despite the relentless verticalization of powers undertaken in Russia since 2000, the relationship between the Kremlin and the governors continues to be more delicate and less unidirectional than what it may seem. One of the main reasons is that neither legal reforms nor electoral engineering have been able to solve a major Kremlin dilemma: how to exert direct, pervasive control over the governors without undermining the effective local political management needed to guarantee, if not economic development, then at least political stability?

In the context of the country’s economic stagnation and, more importantly, in the run-up to the 2018 presidential elections, the need to address this dilemma is becoming more urgent. Looking at the series of recent governors’ resignations and subsequent replacements, it seems that the central government’s short-term—and shortsighted—solution is an increasing technocratic approach combined with a stronger official anti-corruption line targeting not only the governors, but the country’s political elite more generally.

No Legal Reforms Are Political Panaceas

The evolution of the legally defined powers of Russian governors 1 has been a major and undisputable manifestation of the progressive centralization and verticalization undertaken in Russia since Vladimir Putin became president. 2 This process started right after his election in 2000. Aiming at regaining control of the regions (which had enjoyed extensive, but chaotic autonomy during the Yeltsin era), Putin implemented a series of institutional reforms. Already in 2000, the 89 federal subjects were divided into seven districts headed by presidential representatives 3 and the governors lost their automatic membership in the Federation Council, the upper chamber of the Federal Assembly. Instead, the regions had to elect their own representatives from among the members of the regional parliaments and, in the process, the senators lost their judicial immunity, which had been a valuable benefit for key members of the regional elite.

The Kremlin kept tight political control over the process of selecting regional leaders. In 2004, direct gubernatorial elections were abolished in favor of direct presidential appointment.

The 2011–2012 protest movements, however, made abruptly clear that the increased control over the governors was not enough to guarantee political order and stability in the regions. On the contrary, the choice of depriving governors of any source of personal, local legitimacy potentially threatened Russia’s stability by undermining the benefits of institutional centralization. Dmitri Gorenburg foresaw this risk from the very introduction of the presidential appointment in 2004, noting that “rather than having reliable, competent administrators who implement the central government’s policies without much discussion, Moscow is likely to get cautious, semi-competent yes-men who will often be unable to control events in the regions they are appointed to rule.” 4

As political stability became an urgent priority, Putin’s third term was inaugurated in 2012 by the reinstatement of direct gubernatorial elections. The search for stability aside, the direct elections of the governors perform another important task in times of trouble: in case of popular discontent, there is someone other than the central government to blame.

Finally, in 2013 an ambiguous, half-way solution was found: the approval of a law—still in force today—that gives the regions a “non-direct elections” option, that is...

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1 The governors’ formal titles are Head of administration or President, depending on the legislation of the republic or region in question.
2 For a deeper analysis of the evolution of Russian federalism in the last two decades, see the contribution of Angela Di Gregorio in this issue.
the possibility for regional parliaments to chose a governor from a list of candidates presented by political parties instead of holding direct elections. This provision reflects another source of central government concern: the need to treat regions that vary greatly among themselves in a different manner. Indeed, this law was conceived for potentially unstable regions, above all the North Caucasus, where the presidential appointment was still seen as preferable to direct elections, which were deemed too uncertain. The majority of the republics, despite central pressure, did not take this legislation into consideration. Of course, even where elections are held, the Kremlin still exerts considerable pressure over who becomes governor by disqualifying undesirable candidates.

Recent Governors’ Resignations: Is There a Logic?

In recent months, a relatively large number of governors resigned and were promptly replaced by presidential appointees. Some hypotheses on the overall logic behind these decisions can be made, although the reasons that led to these resignations vary from case to case. They can mainly be grouped into the following: corruption scandals, conflictual relations with the local elite and popular discontent.

In October 2016, Kaliningrad’s governor Evgeniy Zinichev was replaced by the youngest Russian governor to date Anton Alikhanov, who previously served in several national ministries.

Sergei Yastrebov, the head of the Yaroslavl Region, had been dismissed on 28 July 2016 and his post was given to the former deputy minister of internal affairs, Dmitry Mironov.

On the same day two other resignations took effect: Kirov Governor Nikita Belykh and Sevastopol Governor Sergei Menyailo. Belykh’s resignation resulted from a corruption scandal and he was replaced by the head of the Russian registry Igor Vasilyev. Menyailo, in contrast, seems to have been forced to resign due to a personal conflict with the previous speaker of the local legislative assembly Aleksei Chaly. In Sevastopol, Menyailo’s post has been taken by the former minister of trade Dmitri Ovsiannikov.

During the first week of February, five additional governors presented their resignations. On 6 February Viktor Basargin, governor of Perm, was replaced by the director of economic policy and development in the city of Moscow Maxim Reshetnikov. The next day Buriatia Governor Vjacheslav Nagovitsyn was ousted and replaced by the republic’s deputy minister of transport Aleksei Tsydenov. This switch apparently resulted from an internal conflict, as well as the high ratings of the Communist Party’s regional candidate. In the case of the Perm region and Buriatia, the main reasons for the changes were both the Kremlin’s and popular discontent.

On the 13th, the 14th and the 15th of February resignations were respectively presented by the governor of Novgorod oblast Sergey Mitin, by Riazan’s governor Oleg Kovalev and by the governor of Karelia Aleksandr Khudilainen. In the case of Karelia, the resignation was widely anticipated and explained by the governor’s low ratings. Khudilainen has been replaced by Artur Parfenchikov, who previously pursued a legal career.

At the beginning of April, Udmurtia Governor Aleksandr Soloviev and Marii El Governor Leonid Markelov were arrested on bribery charges. Soloviev was replaced by the Secretary of Russia’s Civic Chamber Aleksandr Brechalov and the Governor of Marii El by the legal expert and judge of the Commercial Court Aleksandr Evstifeev.

What do all these resignations have in common? First, the majority of the regions listed above will hold gubernatorial elections in October 2017. The center’s priority is to choose their candidates for the upcoming elections by appointing them as temporary representatives in advance of the voting. Acting in this manner, the party is bypassed and the future candidate has time not only to prepare a political campaign—thus probably assuring his victory—but also to calmly establish the Kremlin’s new political agenda in view of the 2018 presidential elections.

Second, the resignations did not end the careers of the politicians involved. Notwithstanding his unpopularity, Karelia’s former governor Khudilainen is, for

example, expected to continue his political career in Saint Petersburg in the near future.  

Looking at the presidential appointees, a third general pattern that can be identified is an increasing preference not only for people coming from the security structures—something that is hardly new—but, more importantly, for young technocrats who previously worked in federal offices or ministries and who have no, or very little, political experience. While in most of the cases, the new governors do not have direct connections with the regions’ political machines, they might have a direct personal link with the region. This is, for example, the case for the new Buriatia governor Tsydeev (40 years old, Buriat-born but with a political career in Moscow) and the new governor of Perm Reshetnikov (40 years old, originally from Perm).  

The Technocratic Approach and the Lack of a Long-Term Strategy

On the one hand, this series of resignations should not be seen as the launch of a new wave of purges, nor as a completely new trend in the Kremlin’s relationship with the governors. During the last 15 years, there were many gubernatorial resignations as well as reshuffles, particularly in cases where United Russia affiliated governors performed poorly. More generally, far from having an overall long-term strategy of regional development, the main driving, persistent line of action by the center toward the regions appears to be a contingent approach that tries to anticipate or react to tensions and local instability on a case-by-case basis. 

On the other hand, the common pattern running through these recent decisions has to be seen in the light of the upcoming 2018 presidential elections and corresponds, on the whole, to the general, recent evolution of the relationship between the Kremlin and the Russian political elite.  

Indeed, in the midst of Putin’s third term two main trends can be observed. First, since 2012 Russia’s political system has experienced a technocratic shift and a deepening process of bureaucratization within the United Russia ruling party, as well as the federal state structures. These tendencies, among other factors, depend on the fact that technocrats seem to best respond to the center’s combined increasing need for loyalty and effective local management in times of economic slowdown and in the absence of a broad developmental strategy. Furthermore, many voters have demon-  

strated a rising preference for people coming from the Kremlin’s—shrinking—inner circle than for personalities coming from the political ranks. 

The second trend is the Kremlin’s tougher anti-corruption and anti-elite stance. In parallel with governors’ resignations, in 2016 there were a series of corruption scandals involving high-level elites, including the head of the Federal Customs Service Andrei Belyainov in July  

and the Head of an anti-corruption unit of the Interior Ministry Aleksei Zakharchenko in September. In the current context of economic stagnation and in the run-up to the presidential election, this line allows the Kremlin to present itself as an arbiter standing above the political fray, as well as to eventually blame the elite—and particularly, the governors—for the economic situation and the lack of structural reforms. 

On the whole, these trends put governors in a highly uncomfortable and contradictory position: as members of an elite that is incapable of renewing itself and wary of changes, they too are focused on their own survival. In this sense, they support the Kremlin’s line since they are interested in holding on to their power after the 2018 elections. At the same time, there is the feeling—particularly in non-economically relevant regions—that local politicians could increasingly become the target of an anti-elite stance, which is mainly aimed at lending an impression of honesty to the federal leadership, which is in search of new sources of legitimacy. 

Furthermore, the governors’ survival also depends on a difficult, delicate balance between showing passive loyalty to the center and taking relatively independent and popular initiatives in order to gain popular approval in their regions. In a period of economic crisis, governors could start claiming more responsibilities and autonomy, thus putting pressure on the current, shortsighted governmental approach towards center-periphery relations.

Conclusion

The recent governors’ resignations are not the product of a precise and comprehensive long-term Kremlin strategy, nor do they represent a new wave of purges or a dramatic reshuffling and renewal of the elite. In fact, all the recent changes were “technical decisions” understandable in light of the gubernatorial elections set for October 2017 and the 2018 presidential elections. 

These short-term solutions given by the Kremlin to the dilemma between verticalization and efficient local
political management are an ambiguous compromise. While continuing to highly privilege centralization over regional autonomy, the search for popular legitimacy, or at least its appearance, leads the center to appoint governors and then hope that they can win popular elections. Moreover, in the view of the 2018 presidential elections, the guarantee for social order and for the elite’s survival is mainly found in technocratic figures rather than ideologues whose primary interest is party building.

Considering Russia’s current political power balances, it is highly probable that the solutions will lead, without any surprise, to Putin’s reelection in 2018 and that the non-systemic opposition will have neither the strength, nor the means, to become a threat to the government’s stability. Nevertheless, these solutions do not provide any answer on how to guarantee a more sustainable balance between verticalization and regional stability in the long term.

About the Author
Carolina de Stefano is a visiting scholar at the Institute for European, Russian and Eurasian Studies (IERES), George Washington University and a PhD candidate at Sant’Anna School of Advanced Studies in Pisa.

Upcoming Gubernatorial Elections, Single Voting Day, 10 September 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Governor or Head of Republic</th>
<th>Former (if dismissed or resigned before end of term) or incumbent Governor/Head of Republic and dates of office (official end of term, if incumbent dismissed or resigned before end of term)</th>
<th>Official reason for dismissal or resignation of former governor/Head of Republic and new office or remarks (where applicable)</th>
<th>Interim Governor/Head of Republic (if former Governor/Head of Republic resigned/dissolved before end of term)</th>
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<tbody>
<tr>
<td>Republic of Buriatia</td>
<td>Head of Republic</td>
<td>V.V. Nagovitsyn 10 July 2007–7 February 2017 (May 2017)</td>
<td>Resigned before end of term</td>
<td>A.S. Tsydenov from 7 February 2017</td>
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<tr>
<td>Mari El Republic</td>
<td>Head of Republic</td>
<td>L.I. Markelov 17 January 2001–6 April 2017 (September 2020)</td>
<td>Resigned before end of term; arrested on 13 April 2017 due to investigation for accepting bribes</td>
<td>A.A. Yevstiseyev from 6 April 2017</td>
</tr>
<tr>
<td>Republic of Mordovia</td>
<td>Head of Republic</td>
<td>V.D. Volkov 10 May 2012–12 April 2017 (May 2017)</td>
<td>Resigned before end of term</td>
<td>V.D. Volkov from 12 April 2017</td>
</tr>
<tr>
<td>Udmurt Republic</td>
<td>Head of Republic</td>
<td>A.V. Soloviov 19 February 2014–4 April 2017 (September 2019)</td>
<td>Dismissed by President Putin before the end of term due to loss of confidence/ from 4 April 2017 under investigation for accepting bribes</td>
<td>A.B. Brechalo from 4 April 2017</td>
</tr>
<tr>
<td>Perm Krai</td>
<td>Governor</td>
<td>V.F. Basargin 28 April 2012–6 February 2017 (May 2017)</td>
<td>Resigned before end of term at own request/ from 10 February 2017 Head of Federal Service for Supervision of Transport (Rostransnadzor)</td>
<td>M.G. Reshetnikov from 6 February 2017</td>
</tr>
<tr>
<td>Belgorod Region</td>
<td>Governor</td>
<td>Ye.S. Savchenko 18 December 1993–20 October 2017</td>
<td>n.a.</td>
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Upcoming Gubernatorial Elections, Single Voting Day, 10 September 2017 (continued)

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<th>Region</th>
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<tr>
<td>Novgorod Region</td>
<td>Governor</td>
<td>S.G. Mitin 7 August–7 February 2017 (October 2017)</td>
<td>Resigned before the end of term at own request</td>
<td>A.S. Nikitin from 7 February 2017</td>
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<td>Riazan Region</td>
<td>Governor</td>
<td>O.N. Kovaliov 12 April 2008–14 February 2017 (October 2017)</td>
<td>Resigned before the end of term at own request</td>
<td>N.V. Liubimov from 14 February 2017</td>
</tr>
<tr>
<td>Saratov Region</td>
<td>Governor</td>
<td>V.V. Radayev 5 April 2012–17 March 2017 (April 2017)</td>
<td>Resigned before the end of term at own request</td>
<td>V.V. Radayev</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>Governor</td>
<td>Ye.V. Kuivashev 14 May 2012–17 April 2017 (May 2017)</td>
<td>Resigned before the end of term at own request</td>
<td>Ye.V. Kuivashev from 17 April 2017</td>
</tr>
<tr>
<td>Tomsk Region</td>
<td>Governor</td>
<td>S.A. Zhvachkin 17 March 2012–21 February 2017</td>
<td>Resigned before the end of term at own request</td>
<td>S.A. Zhvachkin from 21 February 2017</td>
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*Annexed Ukrainian territory; annexation not recognized by international community

Sources: <http://www.cikrf.ru/analog/vib_100917/table.html>, <https://ru.wikipedia.org/wiki/%D0%95%D0%B8%D0%B2%D1%8B%D0%BD%D1%82%D0%BE%D1%81%D0%BE%D0%BC%D0%BD%D1%82%D1%8F%D0%B1%D1%80%D1%8F_2017_%D0%B3%D0%BE%D0%B4%D0%B0>
The Origin and Development of Federalism in Russia

Angela Di Gregorio, Milan

Abstract

Several features of Russia’s federal system have continued for centuries and remain in place today. The principles of sovereignty and territorial integrity are chief among them.

An Evolving Entity

The Russian Federation is a federal state born from the dissolution of the Soviet Union, of which it was the main component part. It became the successor state to the USSR in all major international institutions, including the UN Security Council.

Currently, the Russian Federation consists of 85 constituent entities (referred to in Russian as “subjects of the Federation” and divided into 6 different types), and is the largest state in the world from a territorial point of view. It is a multi-national state, made up of about 160 different peoples. Russians, nevertheless, are the predominant ethnic group in almost all the subjects of the Federation. Geographical and cultural features have profoundly influenced the institutional structure of Russia, particularly its double European and Asian identities.

From Monarchy to Soviet Government and Beyond

On the eve of the February 1917 revolution, which marked the end of the Romanov’s centuries-old absolute monarchy, Russia was a huge country located between Europe and Asia where political power had been exerted in a centralized way. Some narrow liberal reforms introduced by the Fundamental Laws of 1906 did little to change the monolithic face of tsarist power, which because of its conservative myopia suffered a total defeat, physically disappearing from the scene. The Soviet state (from 1918 to 1922, the “Russian Soviet Federative Socialist Republic” and from 1922 until 1991 the “Union of Soviet Socialist Republics”) was the prototype of the socialist form of organization of power and economy, becoming a model imposed not only in the other former components of the Tsarist Empire, but also in the rest of Central and Eastern Europe after World War II.

The economic crisis of the 1980s led to the disintegration of the Soviet Empire. The goal of Mikhail Gorbachev’s reforms was impossible to reach. His efforts to separate the party from the state in a context in which the party and the state were totally identified with one another inevitably weakened the party and consequently the state, causing its collapse. The political issue was compounded by the territorial one, allowing the disintegration of the Soviet Union following a series of declarations of sovereignty and then of independence from 14 of the 15 constituent components, starting from the Baltic republics. Only Russia did not declare its independence, thus succeeding in being considered the successor state to the USSR.

Before the August 1991 coup—which demonstrated the weakness of the center and pushed the republics to secede from the Union—the Soviet authorities had prepared a draft of a new federal treaty that included a broad decentralization favoring the republics. However, this treaty proved to be too little too late and did not prevent the collapse of the union. When the USSR finally did dissolve, it was replaced by the Commonwealth of Independent States, a supranational organization defined by weak ties among the former republics and the predominance of the Russian Federation. Only after the definitive dissolution of the USSR, Russia itself proceeded on a journey away from the Soviet model. We can label this experience a “transition to democracy” only in general terms.

Center–Periphery Relations

From the point of view of center–periphery relations, contemporary Russia demonstrates elements of continuity with past regimes, since some fundamental ideas derive from the ethnic and geographical features of the immense country. These include the principles of unity (edinstvo) and state integrity (gosudarstvennaia tselostnost’), which were always necessary to hold together the boundless territory inhabited by non-Russian populations especially in remote areas, and that are part of the Byzantine and Orthodox heritage of the country. Considering the lack of natural frontiers and the existence of strategic resources in many of the more remote areas, centralization has always been an unavoidable choice. However, it is difficult to justify such centralization during the transition to a system formally inspired by the division of powers, both horizontally and vertically. For that reason, the Russian version of the division of powers, as defined in the fundamental provisions of the 1993 Constitution, contradict the Western conception of the principle in many ways. The unitary principle and state integrity are among the founding values of the Russian legal order that the head of state is called upon to protect.
The unification function is reflected by the frequent recourse, in the constitutional lexicon, to the adjective edenii (unitary), which is also found in the name of the party whose birth was favoured by the Kremlin in 2001, Edinaya Rossia (United Russia).

From the perspective of territorial decentralization, the 1993 Constitution is the arrival point in a process in which centrifugal and centripetal forces clashed in the transition from one political regime to the next. Taking into account the fact that the Tsarist Empire, the Soviet Union and post-Soviet Russia are multinational states, the situation evolved from the absolute centralism of the Empire (with the exception of Finland and the Polish territories), through the ethnic and “apparent” federalism during the Socialist rule up to the current federalism. The latter system applies, however, to a state that is territorially smaller than in the past and in whose “federal structure” (federativnoe ustroistvo) includes ethnic-based entities as well as territorially defined units, which have also risen to the rank of “federal subjects.”

Russia’s Contemporary Federalism
To understand the characteristics of current Russian federalism, one must consider a number of features of Russian legislative and jurisprudential life that have changed so much since the Constitution was adopted that they now are often in conflict with its key principles. We refer, for example, to the division of competencies between the federal and regional government (legislation has severely limited the number of shared competencies) and the ability to select the subjects’ institutions. The same applies to the representation of the subjects in the upper house of the Federal Assembly, the Federation Council. Even the number of subjects has been reduced: the merging power (the “dictatorship of law”, in the words of Putin).

The Putin Era
The next phase, the Putin era, was characterized by a progressive centralization, to the point of distorting the real nature of federalism. Reforms started in 2000 were intended to strengthen the state in order to ensure its survival, to restore the so-called “power vertical” and a “unified legal space” (edinoe pravovoe prostranstvo) and therefore the constitutional legality at every level of public power (the “dictatorship of law”, in the words of Putin).

In the first year of his presidency, Putin introduced a number of significant measures, such as the plenipotentiary representatives of the President in the regions (to better connect the different administrative levels but in fact for the purpose of control), and the new law on the upper house of the Federal Assembly, depriving regional governors and speakers of regional parliaments of the senator seat, passing this to their simple delegates. In 2000 he introduced “federal interference,” namely the possibility for federal authorities, especially the President, to dissolve regional legislative assemblies and dismiss heads of regional executives, generally in cases of non-compliance with federal legislation. In 2001 the law on political parties banned the formation of regional parties by imposing the nationalization of political actors and so forbidding the creation of a governors’ party. In 2003 the division of competencies between the center, the regions and the local governments were...
redefined, weakening the lower levels of government. In 2004 the Kremlin dictated further adjustments to the allocation of competencies and the elimination of direct elections for governors as well as a simplification of the “interference” mechanisms in favor of the President. In 2005 a new system for the Duma elections not only raised the threshold from 5% to 7%, but introduced a new electoral formula that required the legislative seat be distributed by proportional representation, thus eliminating the 225 seats that had previously been allocated through the majority system. The majority system usually rewarded candidates who were locally well known and often independent of the parties (the mixed electoral system was reintroduced in 2014 and re-applied to the September 2016 elections but without appreciable results for independents). Between 2005 and 2008 there have been some mergers of federal entities, dropping the number of federal subjects from 89 to 83. In 2014 Russia’s annexation of Crimea led to the incorporation of two new subjects: the Republic of Crimea and the City of Federal Relevance of Sevastopol.

The most painful issue is the division of responsibilities and powers between the federal and regional levels, a process which began in 2003, moving to a sort of administrative decentralization. The law of July 4, 2003 dictated the rules by reserving most of the powers to the federal level, unless they can be delegated to the regions. In particular, the subjects have been conferred responsibilities that they are obliged to carry out using their own budgets. Two types of powers of the subjects were therefore introduced: own and delegated, with different types of financing.

Centralization has now replaced the subsidiarity principle. For several important matters, the federal government took full power and the federation subjects were deprived of any possibility to intervene, including possession, use and disposal of land, subsoil, water and other natural resources; the allocation of state property; and public security. Of particular importance is the use of natural resources: with the slogan “the natural heritage belongs to the people of the republic” the so-called “parade of sovereignties” began in the early 1990s and several republics tried to assert control over the natural resources on their land. The same position had been one of the fundamental points of the Declaration of State Sovereignty of the RSFSR and one of the most important topics in the separation of Russia (and the other republics) from the USSR.

Additional adjustments in the context of federal relations have also been introduced by new electoral legislation and revised regulation of political parties. This legislation completed—but also partly overthrown—a constitutional framework that would have allowed different versions of decentralization.

Both federalism and the political system have undergone major transformations since the Constitution was adopted. The two are linked in a common design of centralization and simplification.

About the Author
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Bureaucratic Strength and Presidential Inattention: Disempowering Territorial Development Instruments in Russia

Andrey Starodubtsev, Helsinki

Abstract
In spite of increasing funding and the establishment of special budget instruments, government policy aimed at the economic development of different parts of Russia’s territory has not demonstrated significant success. This article suggests that one of the causes for these shortcomings is the influence of the bureaucracy, which disempowers every new mechanism for resolving current economic problems in the Russian regions, even if doing so has a negative impact on the economic development of the country as a whole. This issue has not been a priority for Russia’s powerful presidency.

Failed Experiment
In 2007, the Russian government made the decision to create a special economic zone in the Republic of Altai, named the Altai Valley.¹ The project involved creating a lake, with several islands hosting hotels and other tourist infrastructure. The lake’s construction took three years, from 2009 to the end of 2011. In January 2012, builders started to fill the lake with water, but soon discovered that the water was draining from the lake due to serious errors in its engineering. After several attempts to fix the problem, in 2016 the government decided to close the project. By that time, more than four billion rubles had been spent from the federal budget to develop the zone (Chernyshov, 2013).

This case is not unique. In 2016, the Audit Chamber of the Russian Federation announced the results of its inspection of several special economic zones (including the Altai Valley) and drew the conclusion that they were completely ineffective. One of the auditors claimed: “The process of the special economic zones’ creation and management is characterized by formalism, irresponsibility, and impunity, and by the lack of executive discipline and responsibility for decisions and their consequences. No real economic effect from the special economic zones was achieved” (Audit, 2016).

As a result, the Audit Chamber proposed revising the government’s approach to creating, managing and assessing the effectiveness of the economic zones, as well as of other tools of regional development that had been actively established in the 2000s and 2010s.

In this article I try to explain the poor results from such regional development mechanisms. My argument emphasizes rent-seeking behavior by bureaucrats, who tend to use all new policy instruments to increase their own resources and fulfill current tasks of regional development, instead of achieving strategic goals for the development of Russia as a whole. I will demonstrate how federal and regional bureaucrats transform initially narrowly-targeted instruments of territorial development into regular tools of regional policy, thereby weakening their essence and decreasing their effectiveness.

Territorial Development to Achieve National Economic Growth
Before 2005, only one instrument of long-term territorial support existed in Russia, namely targeted federal programs (federal’nye tsel’nye programmy). In addition, special economic zones had existed since the 1990s in two regions (the Kaliningrad and Magadan Oblasts). But the economic growth of the 2000s and the reformist intentions of Vladimir Putin’s government allowed the federal policy makers to create a system of financial and legal instruments aimed at accelerating economic and social development in the regions.

German Gref, then minister of economic development and trade, persuaded President Putin to create two mechanisms of territorial development—the new model of special economic zones and the Investment Fund of the Russian Federation. To enlist the president’s support, Gref declared strict principles for the distribution of financial and other types of resources within the frameworks of the new mechanisms. Both of them implied obligatory competition between regional governments, which were expected to suggest thoroughly thought-out projects with clear potential to attract private investments and significant contributions to the country’s economic well-being.

Both instruments were devised as specifically-targeted measures to ensure conditions in different territories for economic breakthroughs significant for the economic development of the country as a whole. Ideologically, the Ministry of Economic Development and Trade embodied the spatially-blind approach to territorial development—the officials’ attention was focused not on regions and their needs, but on projects and their

¹ This article is a contribution to the Center of Excellence “Choices of Russian Modernization”, funded by the Academy of Finland
potential success. Consequently, the regional leaders were to present themselves not as representatives of regional communities, but as managers responsible for the development of concrete territories.

However, in practice, these instruments’ internal contradictions have led to inconsistent and counter-productive implementation.

**Special Economic Zones and Their Successors**

Initially, the Ministry of Economic Development intended to establish two types of special economic zones—industrial and innovation. The industrial zones were to be located in Russia’s biggest industrial centers, which had significant potential for development and were experiencing a lack of resources, while the innovation zones were designed to support existing technological centers, including Novosibirsk, Tomsk, and Moscow (Fedotova, 2005).

Yet in the process of discussions of the law on special economic zones in 2005, regional governments, members of the State Duma and representatives of other federal ministries criticized the Ministry of Economic Development’s approach (Granik, 2005). Regional lobbyists insisted that the system of establishing and managing the zones be more decentralized and attractive for different types of investors, even those ready to contribute comparatively insignificant funds to developmental projects. In turn, representatives of different federal ministries argued against the stipulation that only the mentioned types of zones could be created. For example, the Ministry of Communications demanded the creation of a specific type of zone which would be appropriate for the telecommunication industry.

Minister Gref’s administrative capacity in 2005 was enough to insulate this decision from the influence of interest groups and to push the law, including its initial strict principles for the mechanism’s functioning, through the government and the parliament. But as early as 2006, the government declared the creation of tourist and recreational zones, and, in 2007, port zones. These decisions were the result of pressure from a coalition of parliamentarians and “sectoral” ministries. The ideology of the new zones’ creators was significantly different from Gref’s initial idea. Instead of the development of points of growth for the country’s economy, the new zones were intended to solve current problems in two sectors—tourism and transportation.

It is noteworthy that the Ministry of Economic Development and Trade and the special governmental agency responsible for the management of the zones firmly supported these new initiatives, although the Ministry of Finance continued to demand compliance with the original principle of highly selective funding in using the instrument. But that demand failed. As a result, by 2013, 31 new zones (in addition to the two “old” ones) had been established—6 industrial, 5 innovation, 3 port, and 17 tourist. The industrial and innovation zones were placed in regions characterized by a relatively high level of socio-economic development: the Moscow, Leningrad, Lipetsk and Tomsk Oblasts, and the Republic of Tatarstan. The tourist zones were located in the less prosperous regions: the Stavropol and Altai Krai, the Republic of Altai, the Republic of Buryatia and several republics of the North Caucasus. In 2016, the federal government assessed the effectiveness of the zones and found that some of them did not have serious investors to demonstrate the needed economic results. As such, six tourist zones and two port zones were closed.

Meanwhile, another federal agency, the Ministry for the Development of the Russian Far East, proposed a new mechanism of territorial development— territories of advanced development (TORs, territorii operazhschego razvitiya). In general, TORs are similar to the special economic zones: they are territories that provide their residents with special conditions for doing business. But unlike the zones, the TORs received unprecedented rights. The ministry was able to defend the right not to divide the TORs into types and, consequently, to attract different kinds of businesses, including the most profitable for each new territory. Additionally, the TORs’ conditions were more attractive to investors. They included the reduction of several tax rates (property tax, land tax, mining tax, and profit tax), a duty-free regime for foreign products and the absence of limitations on use of foreign labor by resident companies.

Initially, the TORs were designed exclusively as a mechanism for the development of the regions in the Russian Far East, which suffered from a lack of investments and labor. But quite soon the president made the decision to extend the mechanism to the Russian monotonous towns that had been suffering from some of the gravest problems of social well-being since the 2008 economic crisis. As a result, in 2015 nine TORs appeared in Khabarovsk, Primorsky and Kamchatka Krai, the Republic of Sakha, the Chukotka Autonomous Okrug and Amur Oblast, and in 2016 16 more TORs were created in various parts of Russia.

While special economic zones and territories of advanced development are the most significant examples, in recent years the government has created many instruments aimed at accelerated development of the territorial economy, including innovation-focused territorial clusters, industrial parks, agricultural parks, technological parks, high-tech industrial parks, tourist parks, zones of territorial development, and special economic zones established by regional governments. Their emergence and growing quan-
ity are an effect of the strategy employed by the bureaucracy at all levels of government, intended to raise additional budgetary funds. Most have enjoyed the financial support of the federal or regional budgets, but have not demonstrated significant results. During its discussion of special economic zones, the Audit Chamber claimed that the number of such policy tools is excessive and provides little benefit for both the nation and the regions (Audit, 2016).

The Investment Fund: From National Interests to Regional Ones
A similar story can be told about the Investment Fund of the Russian Federation, another idea from the reform-driven team headed by German Gref. The government established the fund in 2006 with the declared goal of co-financing large investment projects that would contribute to the development of the country as a whole within the sphere of infrastructure development. Public money was to complement the investments of private companies, which would invest at least 25% of the common project costs.

Initially, the Investment Fund, like the special economic zones, was designed as a spatially-blind mechanism. But as early as 2007, when German Gref left his position in the government, the fund was placed under the responsibility of the Ministry of Regional Development. Dmitry Kozak, then minister of regional development, stated that financial support would be allocated to regional developmental projects. Consequently, in addition to nation-wide investment projects (those with a minimal investment of 5 billion rubles per project), opportunities for funding would also be given to regional projects (with a minimal investment of 500 million rubles). According to the new rules, every region could seek to receive financing within the limits of annually redistributed quotas, calculated with a special formula designed by the Ministry. This money was targeted at regions that lacked resources, but could offer promising developmental ideas.

Thus, again, a tool designed to support and accelerate development beyond the boundaries of the capitals, and to provide potential points of growth with unprecedented public and private investments, was transformed into a mechanism of support for regional projects. To spot the differences between the initial and subsequent approaches to spending the Investment Fund’s resources, one need only to look at the projects being supported by the government. The list of national projects includes 11 programs aimed at the development of transportation infrastructure in different parts of the country (a sea port in St Petersburg, development of the Volga–Baltic Waterway, construction of railways in territories that are difficult to access, etc.). In its turn, the list of 39 regional projects includes an industrial park in Tatarstan, waste-water treatment plants in Bashkortostan and Karelia, a plant for the production of glass containers in Tula Oblast, a logistics complex in Voronezh Oblast, and many others. Thus, the Investment Fund, an instrument of support for national economic projects, was transformed into a means of assistance for regional economies.

Conclusion
The two cases presented above demonstrate a situation that can be described as disempowerment of instruments of territorial development. The reasons for this outcome lie in domination by bureaucratic interests, combined with a lack of political will to change the current pattern of territorial development.

The instruments’ initial ideology contradicted the interests of the governmental bureaucracy at both federal and regional levels. The federal officials seek to diversify channels for spending of budgetary funds so as to achieve the goals of their ministries. The case of the Ministry of Communications’ request to create special economic zones for telecommunication companies, and the subsequent creation of the port and tourist zones, as well as the Ministry for the Development of the Russian Far East’s successful initiative to establish territories of advanced development, are good examples of the strategic behavior of federal bureaucrats with the aim of increasing their own resource capacities through controlling the tools of territorial development.

In its turn, the regional bureaucracy does not agree with ignoring the interests of regional development and actively works to change the instruments’ ideology from spatially-blind to regionally-based. As a result, by enlisting the support of the Ministry of Regional Development, regional governments have gained access to financial support for regional projects from the Investment Fund of the Russian Federation.

These results come as no surprise to those who understand the revolutionary nature of German Gref’s policy measures, as the proposals ignored the rooted interests of both the “sectoral” federal ministers and the governors. But such radical policy changes can be made only with the support of dominant political actors. In the 2000s and 2010s, Vladimir Putin has been such an actor, and has been able to achieve several reforms while protecting the reformers and their initiatives (Gel’man, Starodubtsev, 2016). However, the economic dimension of territorial development has never been on the shortlist for the presidential agenda. Hence, federal and regional bureaucrats use all available opportunities to redirect budgetary funds to resolving their current bureaucratic tasks instead of allocating them to long-term projects with delayed effects.

See overleaf for information about the author and bibliography.
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7. Arkhangelsk
8. Nenets Autonomous Okrug
9. Komi Republic
10. Kaliningrad region
11. Tver region
12. Smolensk region
13. Moscow region
14. Yoshkar Ola region
15. Kutym region
16. Ivanovo region
17. Vladimir region
18. Ryazan region
19. Tula region
20. Kaluga region
21. Bryansk region
22. Oryol region
23. Kursk region
24. Belgorod region
25. Lipetsk region
26. Tambov region
27. Voronezh region
28. Volgograd region
29. Rostov region
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31. Republic of Adygea
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37. Chechen Republic
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39. Kalmyk Republic
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42. Penza region
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46. Republic of Mari El
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51. Republic of Bashkortostan
52. Ulyanovsk region
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62. Tomsk region
63. Omsk region
64. Novosibirsk region
65. Altai krai
66. Kemerovo region
67. Republic of Khakassia
68. Altai Republic
69. Tyva Republic
70. Irkutsk region
71. Republic of Buryatia
72. Zabaykalsky krai
73. Primorsky krai
74. Jewish Autonomous region
75. Khabarovsk krai
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81. Sakhalin region
82. St. Petersburg
83. Moscow
84. Republic of Crimea*
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* Annexed Ukrainian territory; annexation not recognized by international community
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