

The New Federal Structure: More Centralized, or More of the Same?

Steve Solnik
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Almost immediately after being sworn in as president in May 2000, Vladimir Putin began restructuring the institutions that regulate center-periphery relations in the Russian Federation. In part, Putin has expressed a straightforward concern that the "vertical" dimension of power must be strengthened if federal laws are to be implemented. More subtly, however, he has also warned of the dangers of a fragmented legal or economic space in Russia. Putin has argued that foreign investors will continue to shun Russia unless it presents itself as a unified market and an arena in which property rights are equally respected in all regions.

To these stated ends, Putin has begun dismantling the patchwork of bilateral agreements and treaties concluded by former President Yeltsin with many of Russia's subnational units (i.e., oblasts, krais, and republics.) These agreements, beginning with the 1994 bilateral "treaty" with Tatarstan, allowed some regions to opt out of the unified national tax system, to place conditions on the service of conscripts from their territory, to claim exemptions from various clauses in the federal constitution, and to enjoy special fiscal benefits. One of Putin's first acts as president was to pressure Bashkortostan's president Murtaza Rakhimov to relinquish that republic's special tax status and to reintegrate itself into a unified national fiscal system. According to Putin, President Mintimer Shaimiev of Tatarstan similarly agreed to forego some of the benefits granted to the republic in the landmark 1994 treaty.

More formally, Putin has introduced a series of laws and decrees that alter the essential relationship between regional governors and the federal government. Laws on the Federation Council (the upper house of the legislature, composed *ex officio* of the governors and regional assembly speakers of each of Russia's 89 regions) and on removing elected governors from office encountered some resistance from the Federation Council itself, but were finally passed at the end of July. A May decree reorganizing the structure of the federal bureaucracy in the regions went into effect immediately, but the new structures it created are only now taking shape.

It is common among Russian and Western analysts to view these reforms as heralding a recentralization of power at the expense of regional governors, but this interpretation of the reforms is not supported by the details of the new structures.

Restructuring the Federation Council

Under the law finally signed by Putin on August 5, the new Federation Council (FC) will have two representatives from each region, one from the executive side and one from the legislative side (as stipulated by the Russian Constitution). Current FC deputies are to serve out their terms or yield their seats by January 1, 2002, whichever comes first. Putin has recently begun pressuring the seven governors sitting on the presidium of the new "State Council" to relinquish their FC seats immediately, hoping this will set an example for other FC delegates to follow.

Under the new system, the FC delegate from the legislative side is to be nominated by the speaker of the regional assembly. Other nominations can be made by one third or more of the assembly's deputies. The delegate to the FC is ultimately chosen by a secret ballot of the regional assembly. The FC delegate from the executive side is appointed by the governor directly, by decree. That appointment is subject to a potential veto by a vote of two thirds of the regional assembly.

The new FC delegates will serve terms that run concurrently with the terms of their respective appointers: the executive delegate serves as long as the governor/president of the region; the legislative delegate serves as long as the regional legislative session. Candidates for election/appointment to the FC must provide income and property declarations, similar to any candidate for elective office. In contests for other offices, technical violations contained in these declarations have provided pretexts for disqualifying candidates out of favor with regional or federal authorities.

Crucially, delegates are subject to recall by the same organs that appointed them. This provision casts doubt on the conventional wisdom that the FC reform will diminish the power of the regional governors. On the contrary, the FC deputies who replace the current governors will serve only as long as they retain the support of the governors. In addition, the new FC delegates will not concurrently hold responsible positions in their home territories, and will therefore be able to remain in Moscow--and in session--far longer than the current FC norm of one or two days per month. As a consequence, the new Federation Council may prove to be a more significant legislative institution than its predecessor. Legislation approved by the Duma is likely to be subjected to greater scrutiny in the new Federation Council than in its predecessor, posing a potential problem for the passage of the massive queue of economic legislation anticipated by Putin's economic plan (known for its primary author as "the Gref plan.")

Removing regional leaders from their automatic seats in the Federation Council will deprive them of a regular opportunity to meet and find common ground in their dealings with the center. However, governors will still meet (though much less frequently) in the new State Council established by Putin. The real losers in the reorganization are likely to be the speakers of the regional legislatures, who will now be wholly excluded from a regular role in national politics.

Dismissing Governors and Regional Legislatures

Another common misconception is that Putin has won the right to "fire" regional governors and disband regional legislatures. This is a drastic overstatement. According to the new law on the structure of regional authorities signed July 29, Putin can essentially impeach regional authorities found to be acting in violation of the constitution. But the new law makes extensive provisions for federal courts and the Duma to play a role in regulating the process.

Putin's objective in this reform is to create a mechanism to force regional authorities to comply with federal law. The Russian Ministry of Justice has continually complained that many laws and decrees passed at the regional level are in violation of the federal constitution or other federal laws. Since regional executives and legislatures became elected starting in 1995, there has been no clear mechanism for removing authorities who openly refuse to comply with federal law. On several occasions--most notably Moscow mayor Yuri Luzhkov's refusal to abide by court orders to scrap the capital's residence-permit system--regional authorities have remained in violation of federal court orders for years.

Under the new law, if a court finds a regional law (or set of laws) to be in violation of the federal constitution, the regional assembly that passed it has three months to fix or annul the law (unless the court provides a different deadline). If it fails to change the law, the president issues a decree putting the regional assembly on "warning;" according to some interpretations of the law, the president has no discretion in issuing this decree but is rather obliged to do so.

If the regional assembly ignores the warning for a further three months, the president introduces a law into the Duma to dismiss the regional assembly. The Duma has two months to consider this law. The Federation Council would also presumably need to approve the law. If it passes and is signed by the president, the regional assembly is stripped of its powers on the day the law goes into effect. When an assembly is disbanded, new elections are scheduled.

For governors (or republic presidents, as the law makes no clear distinction for republics), the president exercises more discretionary authority. If a governor issues decrees or normative acts in violation of the federal constitution, there are two alternatives for the center. First, a court can find the act unconstitutional, and the governor then has two months to annul it or face a presidential decree putting him or her on warning. Alternatively, if the executive act is annulled by an act of the Russian president rather than a court, the governor has two months to comply with the presidential order or appeal to a court, or else face a warning. If the warning has no effect after a month, the president can remove the governor (or republic president) from office. The decree removing the governor has a ten-day waiting period before taking effect, and during that time the governor can appeal to the Russian Supreme Court, which must act within ten days.

On the recommendation of the general procurator, however, the president can also temporarily remove a governor (or republic president) if there is evidence he or she has committed serious crimes and the procuracy (office of the public prosecutor) attests that an indictment is planned. In the event that the chief executive is dismissed by the president, he or she is replaced according to the procedures specified in the regional constitution or charter. If the charter or constitution makes no provision for an acting chief executive, the president appoints one to serve until new elections are held.

Redistricting Federal Administration ("Governors General")

A final reform, this one accomplished by federal decree on May 13, 2000, reorganizes the federal bureaucracy into seven "federal districts," each headed by a presidential representative. Some observers in Russia and the West have called this reorganization the beginning of a radical redrawing of Russia's federal map. As with the laws discussed above, however, this evaluation is also unsupported by the limited facts currently available.

Proposals to reorganize the federal bureaucracy in Russia along regional lines have been in circulation since the 1920s, and a plan at "regionalization" of the economic planning system contributed to Khrushchev's ouster in 1964. More recently, however, two arguments for redistricting have become confused in Russia. On the one hand, some advisors and politicians have called for a replacement of the current map of 89 federal subunits of varying status (oblast, krai, okrug and republic) with a simpler system of 10-20 "gubernias" of comparable size and equal status. This plan would directly threaten the power bases of virtually all regional politicians in Russia. On the other hand, as early as 1997, Yeltsin considered reforming the moribund system of "presidential representatives" which placed a presidential appointee in each region as to serve as the center's "eyes and ears." The presidential representatives in place since 1990 had played almost no role in regional politics and had generally been "captured" by local governors upon whom they depended for support. Under the reforms first considered in 1997, Yeltsin would designate one representative to oversee a group of regions rather an individual region, diminishing the likelihood of their capture by an individual governor.

Putin's reorganization represents a revival of the original Yeltsin plan of 1997--not the more radical "gubernia" plans occasionally discussed. Putin himself has disavowed any intent to change the federal map of Russia or abolish the current territorial divisions into oblasts, krajs and republics. Instead, far more modestly, Putin intends for the newly appointed presidential representatives--or "governors general"--in the seven new federal districts to have complete oversight authority to supervise the functioning of regional branches of *federal* institutions. To ensure that these new overseers are loyal to him, Putin has relied heavily on appointees with a military or security background: five of the seven new governors general come from the armed forces or KGB.

The exact role the new governors general will play remains uncertain. Putin announced in May that the governors general would sit on the Security Council, however it was not until late August that Prime Minister Mikhail Kasyanov announced that they would

attend cabinet meetings as non-voting participants. Kasyanov ordered all ministries to create mechanisms of coordination with the new governors general, and certain prominent law-and-order ministries--notably Interior and Justice--are explicitly reorganizing their field operations along federal district lines. While the governors general may have different powers in different districts, Putin's intent seems to be to interpose the governors general between regional governors and Moscow officials. Rather than lobbying federal officials in Moscow for subsidies or tax breaks, governors are already finding their calls redirected to the governors general. Laws and regulations in need of regional input are now sent to governors general for comment, rather than to regional governors directly. Nominations for appointments to vacancies in the regional branches of federal ministries now go to the governors general rather than the presidential administration.

Not *all* federal ministries are embracing the district reorganization. The federal treasury system, which has opened branch offices in almost all of Russia's regions, has postponed any reorganization along the seven-district model. This means that while governors general will have oversight power in the area of law-making and personnel appointments, they will not have institutional mechanisms to interrupt or rechannel the flow of federal *expenditures* to the regions. Under the new Tax Code, however, the flow of tax *revenues* will be significantly more centralized as a consequence of the reform of the VAT system, the new unified social tax, and the reduction (and planned elimination) of the turnover tax. Governors general have also been reviving the Soviet-era (and tsarist) position of "inspectors" who will have the power to conduct audits of regional administrations within the federal districts.

The lack of clear guidelines for how the governors general will function has led to great regional variation in how the new office is being established in the seven districts. In the Urals district, for instance, governor general Pyotr Latyshev has already locked horns with Sverdlovsk Governor Eduard Rossel, who dragged his feet in clearing office space for Latyshev's staff. In the "Central District" that includes Moscow, on the other hand, governor general Georgy Poltavchenko seems to be adopting the same low-key approach to the job that characterized his tenure as presidential representative in Leningrad oblast. And in the Siberian district, governor general Leonid Drachevsky has already formed a consultative council of governors and mayors, displaying some of the diplomatic instincts he acquired during his career in the Foreign Ministry.

Implications

Putin's early federal reforms point to a new direction in center-periphery relations in Russia, but they stop well short of a radical recentralization. Boris Yeltsin based much of his power on the support of governors and republic presidents, making the emergence of a governor-based opposition in 1999 all the more dangerous. Putin, on the other hand, seems intent on reestablishing a firm division between the federal and regional levels of government. By removing governors from the Federation Council, formalizing a method for impeaching them, and redirecting the focus of their lobbying activity from Moscow to

the seven district capitals, Putin has diminished governors' power to subvert federal policy and disrupt federal institutions.

At the same time, Putin's reforms leave intact the regional industrial and media power bases consolidated and exploited by regional leaders. Since they will still exert significant control over federal legislation through the new Federation Council, and as the functions and staffing of the new governors general offices are still being worked out, regional leaders seem poised to continue their dominance of political life within their regions.

From a practical perspective, this outlook suggests that directors of projects based in Russia's regions should not expect major streamlining in bargaining and regulatory processes. Foreign projects--commercial and non-profit--will still need to secure the dual agreement of federal and regional officials to guarantee that operations are unimpeded and property rights are secure. Putin's effort to strengthen the "power vertical" together with the ambitious (though still inchoate) social and economic reform agenda articulated by the Gref plan suggest that the federal government is not about to refrain from intervening in economic and political life at the regional level. But the limitations of Putin's reforms to date suggest that the power of the governors will remain strong for at least the next few years.

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