Local self-government development in Russia was not considered a priority of the state policy. In addition, there was not much research done in this field. Many studies preferred to explain institutional changes at the national level rather than at the local. The aim of this research is to understand what role and place in the Russian political system and society were given to local self-government by the municipal reform, and how rural areas reacted to these changes.
GOVERNING THE LOCAL

Inna Kopoteva

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ABSTRACT

Local government issues have been constantly discussed in Russia: the nature of local self-government, its role in the system of power relations, its legislation, implementation at the local level and problems associated with its conformity to the constitutional principles. These debates were initiated by the local self-government reform, which was not implementing in a societal vacuum. The reform was part of the general process of transformation where major political and economic changes had already taken place.

My interest in this topic was based on the fact that local self-government development in Russia was not considered a priority of the state policy. In addition, there was not much research done in this field. The majority of Russian experts’ studies focused on municipal rights and municipal economy; many studies preferred to explain institutional changes at the national level rather than at the local level. This study is an attempt to fill the research gap, i.e. the lack of reflections on the local level under the municipal reform. The aim of the research is to understand what role and place in the Russian political system and society were given to local self-government by the municipal reform, and how rural areas reacted to these changes.

The dissertation contains six chapters. After the introduction and theoretical framework the chapter on the Soviet times follows. It presents the background for the reform. The next chapter presents the institutional framework, which reveals major political and economic changes, which took place in Russia. Chapter 5, the empirical part of the dissertation, uncovers the reform’s main actors in Russian countryside, interactions among them, the challenges of reform at the local level, and socioeconomic and spatial outcomes of reform. In the main, it is based on the interviews in three case study areas. The concluding chapter elaborates the discrepancy between the legal framework and social practices.

Keywords: Local government; Reform; Autonomy; Rural conditions; Community power; Organisational change; Russia
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TIIVISTELMÄ
Paikallishallinnon kysymyksistä on keskusteltu Venäjällä jatkuvasti: millainen paikallishallinto on luonteeltaan, mikä on sen rooli valtasuhteissa, millainen voisi olla sitä koskeva lainsäädäntö ja lakien soveltaminen paikallistasolla ja millaisia ongelmia on sen yhteensovittamisessa perustuslain kanssa. Nämä keskustelut käynnistyivät paikallishallintouudistuksen yhteydessä ja uudistusta ei toteutettu yhteiskunnallisessa tyhjössä. Uudistus oli osa yleistä muutosprosessia, jossa suuret poliittiset ja taloudelliset muutokset olivat jo tapahtuneet.

Kiinnostuksen aiheeseen perustui siihen, että paikallishallinnon kehitystä ei pitkään aikaan pidetty Venäjällä valtion politiikan prioriteettina. Sen lisäksi tällä aihealueella ei ollut tehty paljonkaan tutkimusta. Enemmistö venäläisten asiantuntijoiden tutkimuksista keskittyi kunnallisiin oikeuksiin tai kunnallistalouteen; monet tutkimukset selittivät muutoksia kansallisella, kuin paikallisella tasolla. Tutkimukseni pyrkii täyttämään tämän tutkimusaukon eli pohtimaan paikallistason asemaa kunnallisreformissa. Siten tutkimuksen tavoite on ymmärtää mikä rooli ja paikka Venäjän poliittisessa järjestelmässä on paikallishallinnon ja kuinka maaseutuantoulueet ovat reagoineet näihin muutoksiin.


Avainsanat: Paikallishallinto; itsehallinto; uudistukset; muutos; hallinnonuudistus; organisaatiomuutokset; paikallisyhteiset; Venäjä
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Mikkeli, 10 March 2018
Inna Kopoteva
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1 INTRODUCTION

1.1 BACKGROUND

In advanced democracies local self-governments are a major and integral part of political systems. It is not only the first and closest level of power ensuring the living standards of citizens, but also a major component of a civil society. Local self-governments are “a driving belt” of sovereign democracy that enables adaptation of state policy, as well as political and economic models.

In the Russian Federation in recent decades, these issues have been constantly discussed: the nature of local self-government, its role in the system of power relations, its legislation, implementation at the local level and problems associated with its conformity to the constitutional principles.

These debates were initiated by the local self-government reform. Since the 1990s, Russia has taken several significant steps towards establishing local self-government. The term “local self-government” (местное самоуправление) was introduced by the Russian Constitution in 1993. The previously unified structure of the government was divided into two parts by the Constitution: the state and local governments. The state authorities function at the federal and regional levels. Local government was removed from the state level (article 12 of the Constitution 1993) and now functions at the municipal level. This means that local self-government and state power are two forms of the unified public authority in the Russian Federation. The municipal level, which was insignificant and dependent on the central authority body in the Soviet period, had to become a politically and administratively independent level of decision-making.

In the following years, several important legislative acts were adopted by the State Duma, among them federal law 131 (FL-131), “On the Basic Principles of Organisation of Local Government in the Russian Federation” (the first law was adopted in 1995, the second one in 2003). In this legislative act, local self-government was defined as “a form of realisation of the authority by the people being … independent and making under its own responsibility decisions … of local significance, taking into account interests of the population and historical and other local traditions” (article 1, FL-131, 2003). Thus, at first glance, Russia has made significant steps in the development of local self-government.

These steps were not taken in a vacuum. The reform was part of a general process of transformation: major political and economic changes have taken place in recent decades. Local authorities and local communities had to adapt not only to new legislation concerning municipal development, but also to much wider restructuring in politics, the economy and society.

The interest in this topic was based on the fact that local self-government development in Russia for a long time was not considered to be a priority of the state policy; municipal reform turned out to be inconsistent and was not thought through carefully enough. In addition, there was not much research done in this field. The majority of Russian experts’ studies focused on municipal rights and municipal economy. Moreover, many studies preferred to explain institutional changes at the national level rather than at the local level. This is an attempt to fill the gap, i.e. the lack of reflections on the local level under the municipal reform.
1.2 THE RESEARCH PROBLEM AND OBJECTIVES OF THE STUDY

The key research problem to be addressed in this study is formulated as follows:

What role and place in the Russian political system and society were given to local self-government by the municipal reform, and how did rural areas react to these changes?

In particular, the study focuses on how the nature of the Russian local self-government changed in the new institutional framework: factors that caused the changes, actors participating in the local development and their changing interactions.

RQ 1: What were the national institutional changes that influenced the local level?

Radical changes in the macro-institutional context led to restructuring in many spheres including local self-government. However, it was not only municipal reform, which had a top-down direction, that influenced the situation at the local level. In the period between the 1990s and 2000s, the major political and macroeconomic changes affected the local development: the changing political context determined the development (or decline) of local democracy and local autonomy, the (re)construction of the power vertical and the influence of regional versus local levels.

The better the governance and the quality of formal economic institutions (legality, property rights, support of the public institutions, bureaucracy) are, the greater the positive impact on economic performance is (Tridico, 2006). The elements of the macroeconomic context (privatisation, appearance of private property, land reform) affected Russian rural areas, where the main economic agents were agricultural and forestry enterprises (in the cases under study).

The sociocultural context is important too. The Soviet heritage, the Russian history and the experience in developing self-government, old habits and values (certain informal rules) were predominant in the new market economy and influenced relations between agents (ibid.). It is necessary to understand basic features of the Soviet State in order to have a starting point of the institutional transformations (Wollmann, 2004, 105).

RQ 2: What was the local-level response to the radical changes in the macro-institutional context?

The restructuring process, in relation to the local level, included changing the structure and role of local government and social interactions between local and non-local actors. This research question consists of two sub-questions. The first one concerns actors. Who were the actors? What were their interests and what role did they play in the local development? How did their role and status change under the transformation compared to the Soviet period? Another sub-question is about actors’ interaction. The restructuring process led to changes and the formation of new social interrelations. How did macro-institutional changes in politics and the economy influence the relations between actors at the local level? How did the actors interact? How did the social relations of actors change in both vertical and horizontal dimensions compared to the Soviet period. People live within complex social relations: ties of affection, respect, obligations and reciprocity. A radical change in economic activity requires not only a change in thinking, but also restructuring of the larger social world (Lampland,
The thesis focuses on the formation and reconstruction of social interactions of local self-government with other actors.

*RQ 3: What were the role and status of local government in the Russian political system and society in theory and practice? Was there discrepancy between the legal framework and social practices?*

The thesis examines the development of local self-government as two interrelated processes: national institutional changes and the responses to them at the local level. The first process consists in establishing institutions (political, economic, sociocultural), i.e. institutional design; the second one implies institutional consequences, i.e. influence on actors (stakeholders of local development). The study of these processes will help in understanding the idea of the reform.

### 1.3 THE RESEARCH APPROACH AND THEORETICAL PROPOSITION OF THE STUDY

In the case of Russia, one can say that there was an obvious demand for the reconstruction of the institutional basis of social regulation after the complete destruction of the soviet system in the 1990s. As the post-socialist transformation is considered a profound institutional change, I have to identify the theoretical framework of this study by relating to the theory of institutional change.

As the structure of local self-government and the specific behaviour of the actors involved are a result of the set of rules (developed in the soviet and post-soviet periods) that governed actors’ behaviour, I assume that the understanding of how the changes were introduced into the set of rules (or institutions) and adopted at local level are of key importance for understanding the reform and its implementation with a focus on both successes and failures. Thus, one could say that the development of local self-government in Russia is fundamentally related to the institutions (both formal and informal) governing actors’ behaviour.

Moreover, the governance perspective helps in understanding changes in the governing process (Stoker, 1998, 18) and can be a tool for analysing different systems of rules and policies (Tiihonen, 2004, 51).

### 1.4 METHODS AND STUDY AREA

The aforementioned research questions define the methodological basis for the study. With the selected approaches and methods I have to decide: how should I answer the above research questions? What information do I need, and how should I get it?

#### 1.4.1 Methods

This study focuses on two geographical levels of analysis. The answer to the first research question about national institutional changes is based on facts that are general and ubiquitous in Russia. Such a factual approach allows some general principles to be formulated, i.e. the framework of the local self-government functioning. The data
collected are systematic and mainly based on documents, though some subjective (for example, expert) interpretation of the data is also presented. The research base includes operating (and previous) legislative and normative acts of Russia and other states, statistical data, scientific publications and expert estimates. Most of the data were obtained in Russian libraries and archives (in Petrozavodsk, Saint Petersburg, Moscow and selected local municipalities’ archives). In addition, the author conducted expert interviews on economic, political and legal aspects of local governance.

To identify the changes in the years of transition, the institutional situation in the soviet villages is discussed. Historical information is an important part of research. There are different approaches to historical data in sociological and geographical studies. Some scientists seek to build up a logical system of analytical categories for the general social system theory, so they need historical data to analyse the dynamic aspects of the theory, and to develop and test hypotheses on the long-term social changes (Bulmer, 1977, 181). For other scholars, historical data have only a small significance and give just some general “orientation” value. Such studies may frequently be prefaced by a section on “historical background” (ibid., 182).

Nevertheless, the classic tradition focus is not only on those historical features that are common for all societies but also on differing structures and cultures in different societies in specific periods in their development. Thus, the classic tradition takes an intermediate position between the two above-mentioned approaches: it does not seek to develop a general sociological theory or to describe social behaviour at small localities at certain time points. Its central concern is variations and their contextual frames, i.e. how particular societies, or institutions within them, developed and why they function as they do (ibid., 183–184). This approach, which focuses on temporal and spatial variations, is the basis of this study.

The second research question concerns the implementation of federal reforms at the local level with its different types of actors and the interactions among them. So, analytical generalisations are used to find out the general features of unique and particular events. Analytic generalisation means that “a previously developed theory is used as a template with which to compare the empirical results of the case study. If two or more cases are shown to support the same theory, replication may be claimed” (Yin, 2003: 32–33). According to Yin, this approach is essential for a case study as it provides a deep insight into the locality. This research is based on an empirical study of the phenomenon in the wide social context. Such an approach is relevant for situations with unclear boundaries between a phenomenon and its context.

Compared to other methods, case study has a range of advantages. First, it provides a “close-up” perspective and deep understanding that are of special importance under uncertainty and institutional instability (Hann, 2002, 7), as in the Russian case. Second, case study is flexible. Whilst a pure scientist tries to prove or disprove a hypothesis, a case study can provide new and unpredicted results that can lead to new research ideas (Shuttleworth, 2008). Third, statistical methods answer the question “how many” (for example, how many people participate in partnerships), and show the distribution of causes (for instance, why people participate or not). Case study provides more detailed information and causal explanations. Finally, this method allows the phenomenon to be compared under differing conditions (local features, historical, cultural, etc. factors that could or could not affect the study phenomenon in different localities). In addition, the specifics of cases help in understanding how to involve all possible channels of local development support under the limited resources of communities.
Certainly, case study has limitations too. Its main restriction is that it does not allow broad generalisation (Yin, 1994, 10). A few selected cases are not enough to explicate the results to the wider territory, let alone the entire country. Nevertheless, if selected cases provide similar results, there is a place for limited generalisations.

Case study was chosen for this research project because the object under study is not easily distinguishable from the context and has complex interrelations with the political, economic and social context. Within the case study, several techniques were used: interviews, observations, content analysis, statistical data, etc. Both qualitative and quantitative data were collected and analysed based on triangulation.

Case study enables comparison of the current legislation and practices at the local level and interplay between the context and process of formation of local self-government. “Top-down” reforms being implemented at the local level are always affected by everyday practices and ordinary people patterns. The results of the reform can be evaluated at the local level; one can see specific ways of implementing it, and both its positive and negative aspects.

Moreover, case study is a multi-perspective method: the researcher can combine voices and perspectives of different actors, and give voice to the most powerless and voiceless, which is important for this study because the opinions of powerless groups often differ from those of the elites.

The restructuring involved all levels – from national to local and individual. A “top-down” direction increases discrepancy in understanding the main aspects of the reform. It is crucial to learn more about its implementation and functions at the local level in order to understand how the efficiency of reform can be improved. And the multiple-case study enables that: the regions (described below) were chosen from different geographical regions of Russia (the Republic of Karelia in the North-West, the Nizhny Novgorod region in Povolzh’je and the Sakha Republic (Yakutia) in Siberia) in order to compare the same phenomenon (top-down reform of local self-government) in different local circumstances.

The qualitative study involved a number of stakeholders of the local development. The author conducted interviews with local people, representatives of local business (directors of enterprises, entrepreneurs) and administration at settlement and district levels, representatives of NGOs, and other local experts and actors. The list of informants was formed using the “snowball” method.  

1 The data were collected during individual field trips and several projects financed by the Academy of Finland: 1) Monitoimisuutta ja palstaviljelyä – maaseudun sopeutuminen kapitalismiin Venäjän Karjalassa, 2002–2003. Head of the project – Leo Granberg; research team – Ilkka Alanen, Jouko Nikula, Inna Kopoteva. The Karelian data consisted of 65 interviews. 2) Specialisation and diversification of enterprising during transition – a comparative study of development in the Estonian and Russian countryside (LOCAL PATHS), 2004–2006. Head of the project – Leo Granberg; research team – Jouko Nikula, Inna Kopoteva, Alexander Bedny, Eugenia Balabanova; the Karelian and Nizhny Novgorod regions’ data consisted of 103 interviews. 3) Genetic resources of Russian farm animals – the state of endangerment and ethno-ecological, technical and social opportunities for conservation, 2004–2007. Head of the projects – Asko Mäki-Tanila; research team – Leo Granberg, Inna Kopoteva, Katrīna Soini, Ulla Partanen. The Yakutian data consisted of 77 interviews. 4) Social partnerships and local social innovations in rural restructuring, 2007–2009. Head of the project – Leo Granberg; research team – Jouko Nikula, Miira Niiska, Alexander Shkerin. The Nizhny Novgorod region data consisted of 48 interviews and four focus groups. 5) In 2011, I conducted individual fieldwork in the Republic of Karelia – 38 interviews were conducted. 6) Back to Koivusel’ga – Forestry village of Koivusel’ga in Russian Karelian Borderlands Today, 2014. Head of the project – Eira Varis; research team – Minna Piipponen, Pertti Rannikko, Katri Karkinen, Esko Lehto, Inna Kopoteva, Nadezhda Polevshikova, Eugeny Klemenko, Antero Lehkoinen, Tatiana Jegorowa, Kristina Isajeva.
1.4.2 Rural areas as an object of inquiry

In post-socialist societies, particularly in Russia, the difficult and protracted process of transformation threw rural areas in a decade-long social turmoil that led to the decapitalisation of agriculture and a decline in production. The outcome was almost full bankruptcy of many agricultural enterprises and a rapid growth in primitive forms of household production. Rural areas faced the challenges of ageing, population outflow and erosion of social and cultural services. There was a significant decline in the rural areas’ standards of living and a widening gap with urban life, thus the poverty in rural Russia was deep, pervasive and often accompanied by disempowerment and social passivity. According to Wegren (2003), the Russian countryside was among the biggest losers in the market reforms of the 1990s.

The question was how to involve Russian villages in changing their economic and social life, and what could the benefits be of such involvement? The local government system, though rudimentary, was generally considered a sine qua non of rural development, at the ongoing development of this system – an integral component of the development of rural society (Douglas, 2005).

The academic literature focuses mainly on general problems of the local self-government reform in Russia, on the relation between federalism, democratisation, decentralisation and reform of local government (for example, Ross, 2007; Ross, 2009; Porter and Young, 2001; Wollman, 2004; Wollmann and Butosova, 2001 and others), and the implementation of the municipal reform in the Russian urban context (for example, Struyk, 2003; Gelman, 2001; Koznetsov et al., 2004; Vetrov and Zaitseva, 2005 and others). But not so much attention was paid to rural areas. The case study of local government in rural areas was conducted by the World Bank and CAF Russia (Local self-governance, 2003; Local self-governance, 2007). Some data on rural local authorities are presented in books by Patsiorkovsky (2003), Nikulin and Kuznetsova (2007) and Varis (2016). The Gaidar Institute of Economic Policy conducted studies on the municipal reform in Russia, but only a small number of these works gave any attention to rural areas (for example, Starodubrovskaya et al., 2003; Starodubrovskaya and Mironova, 2010). There were some articles on the issue (local government reform in rural areas) in scientific journals like Sociological Studies (for example, Bondarenko, 2016), and Region (for example, Fadeeva, 2003; Fadeeva, 2016; Shumkov, 2015).

This study does not focus on the development of local self-government in Russia generally, but is limited to the implementation of the reform in the rural context and to the changing roles, functions and relations of rural local self-government under the municipal reform. One more limitation concerns the relationship between local government and business. I chose agriculture as an example to show the changing relations, even though there are other important branches of economy in case study regions, such as forestry in the Republic of Karelia or mining in the Republic of Sakha (Yakutia) or industry in the Nizhny Novgorod region. This choice is based on the fact that in all three of my case study regions, agriculture presents and plays an important role in the regional and local development.

1.4.3 Cases

The main case study regions were the Republic of Karelia, particularly the Pryazha and Olonets districts (fieldwork was conducted in 2002–2005, 2008, 2010–2011 and

Map 1. Case study regions

The Republic of Karelia is located in the north-west of Russia; it is a part of the northern economic region of the Russian Federation and of the North-West Federal District. The area of Karelia is 180,500 square km (1.06 % of the territory of Russia), (Database..., 2012). Karelia borders Finland (EU), and it had great influence on the democratic development of the republic. The capital of the Republic of Karelia is Petrozavodsk.

The Republic of Karelia has a favourable economic-geographical location near the industrially developed Russian and western European regions, a developed water transportation system and significant natural resources. In 2012, the Republic consisted of 127 municipal entities: 2 city districts, 16 municipal districts and 109 settlements including 22 urban and 87 rural settlements (Database..., 2012).
In the 1990s, Karelia was one of the leading regions in the development of local government institutions. Gelman et al. (2002) considered Karelia’s institutional choices at the beginning of the transition when the regions were free to experiment with local institutional building. Many Russian republics fought with the federal centre for “freedom” and “sovereignty” (like the Sakha Republic) and ignored the local government, while Karelia chose another way, focusing on the development of local government institutions.

The main principles of local self-government in the Republic of Karelia were set by the Constitution adopted in January 1994. Karelia’s law “On Local Government in the Republic of Karelia” was adopted earlier than the federal one. The law took the North European institutions as a model (Lankina, 2007, 8). Karelia was among the first Russian regions to form an association of municipalities in the early 1990s. The Karelian association the “Council of Municipalities” was established in 1994.\(^2\)

\(^2\) See the web page of the association: http://alark.karelia.ru/portal/alark/
The proximity of the state strongly influenced the development of local self-government in Karelia. According to Lankina (2007), in the 1990s Western donors provided a “menu” of local institutional options and resources for local development and stressed the importance of accountability “from below”, and cooperation between civil society, municipalities and the broader public, as well as social cohesion.

In the region two municipal districts were studied: Pryazha and Olonets. The Pryazha district is located in the south of the Republic. The total area of the district is 6390 sq. km. Its administrative centre is a semi-urban settlement at Pryazha, which is located 45 km from the capital. The “Blue road” – from Finnish border to Pudozh – and the Petrozavodsk–Suojarvi railroad pass through the district. There are seven municipalities (one urban and six rural settlements). The population was 14,900 people in 2012 (Database..., 2012).

The Olonets district is located in the far south of the Republic; it has an access to Lake Ladoga. The total area of the district is 3988 sq. km. It has a favourable geographical location as “the southern gates” of the Republic of Karelia, a sort of crossroads between Saint Petersburg, Moscow, Petrozavodsk, Murmansk and Finland. There are nine municipalities (one urban and eight rural settlements). The population of the Olonets district was 22,600 people in 2012 (Database..., 2012). Both districts specialise in agriculture and forestry.

The Nizhny Novgorod region is located in the European part of the Russian Federation on the East European plain. The region belongs to the Privolzhsky Federal District and to the Volga-Vyatsky economic region. The area of the region is 76,600 sq. km. The city of Nizhny Novgorod is the administrative centre of the region. Since 2001, with the establishment of federal districts, the Nizhny Novgorod region became the centre of the Privolzhsky Federal District.

In 2009, the region consisted of 662 municipal entities, including 4 city districts, 48 municipal districts, and 532 rural and 78 urban settlements. In 2009, the referendum on the association among sparsely populated rural settlements changed the municipal structure of the region, and the number of municipalities was reduced by a third. In 2012, there were 44 municipal districts, 8 city districts, and 66 urban and 303 rural settlements. The total number of municipalities was 421 (Nizhegorodskaja oblast, 2012). The local self-government functioned on the basis of the “Charter of the Nizhny Novgorod Region”. Since 2006, there has been a Council of Municipalities.

In the region, two municipal districts were studied: Semenov and Bogorodsk. The Semenov district is the biggest in the region, with an area of 3.9 sq. km.; it is located in the so-called North Zavolzh’e (to the north of Volga), in the basin of the River Kerzhenets. More than 70% of the territory is covered by forests, so the majority of the population is employed in forestry and agriculture. In 2012, the population of the district was 48,700 people, of whom 24,400 (about 50% of the population) lived in the centre of the district, in the town of Semenov, which is located 70 km from the regional centre of Nizhny Novgorod (Nizhegorodskaja oblast, 2012).

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3 There were 13 village administrations before the FL-131 (2003).
Since 2004, in the Semenov district there have been two urban and 16 rural municipalities. In July 2009, some of the municipalities were united and the total number of rural municipalities changed to 11. In December 2010, all 13 municipalities (rural and urban) formed one city district. This means that the population of 11 rural municipalities (195 villages) became urban and lost their rural privileges. In the district, more than 3,000 people were employed in agriculture (enterprises and family farms), i.e. 15% of all those employed in the district.

The Bogorodsky district is located in the central part of the Nizhny Novgorod region. Its administrative centre is the town of Bogorodsk (only 43 km from the regional centre). Its area is 1.5 sq. km. Its settlement system consists of one town and 143 rural settlements combined into one urban and seven rural municipalities. The population of the district was 66,300 in 2012 (Nizhegorodskaja oblast, 2012). The district is located not far from the regional centre, which affects its population dynamics (it grows). Additionally, the district is an area of summer cottages with 155 gardening associations and dacha cooperatives. Together with summer residents, the population of the district rose to 100,000 in the “dacha season”.

The Republic of Sakha (Yakutia) occupies most of the north-eastern part of the Asian continent – 2,000 kilometres from north to south and 2,500 kilometres from east to west. It occupies an area of more than 3 mln. square kilometres, i.e. 18% of the Russian territory. More than 40% of Sakha is above the Arctic Circle. There are three time zones – six, seven and eight hours ahead of Moscow. The capital Yakutsk is 6,875 kilometres from Moscow and 1,814 kilometres from Vladivostok. The difference between Yakutsk and Greenwich Mean Time is eight hours.
In 2012, the Republic consisted of 445 municipal entities: 2 city districts, 34 municipal districts, 409 settlements (including 47 urban and 362 rural settlements) (Statistical yearbook, 2012). The development of local self-government was strongly limited by the regional authorities in the 1990s. The Constitution of the Sakha Republic in 1992–2001 (i.e. before the revision of the regional legislation according to the federal one) ensured a strong vertical of power. Article 85 of the Constitution consolidated representative and executive state authorities at the local level. In addition, local self-government was allowed by the local population initiatives (article 94).

After FL-131 was adopted, the right for local self-government was added to the Constitution of the Republic and the regional law “On the Local Self-Government in the Sakha Republic (Yakutia)”. There are the Council of local self-government under the President of the Sakha Republic, and the Council of municipalities. The Republican programme of state support for the local government for 2009–2012 was adopted to promote the state policy concerning the local government and to intensify socioeconomic and political reforms at the municipal level.

Map 4. Geographical location of Eveno-Bytantaisky ulus (district)
The Eveno-Bytantaisky ulus (district) is located in the north-east of the Republic, to the north of the Arctic Circle, and borders the Bulunksy and Ust-Yansky uluses (north), and the Verkhojansky (east), Kobjaisky (south) and Zhigansky uluses (west). The area of the Eveno-Bytantaisky ulus is 55,600 sq. km. The district centre is Batagay-Alyta village. It is one of the most inaccessible municipal districts in Yakutia. According to the local respondents, the journey from Batagay-Alyta to Yakutsk takes five-six days by car in the winter time, the distance is 1,120 km by car and 850 km by plane. In the summer time there are no other roads. There are flights to Yakutsk, Batagay and Verkhojansk. The geographical location of the district determines the isolation of the territory, its remoteness from navigable waterways, and the lack of highways and railways. It is one of the most remote areas in Yakutia. The population of the district was 2,800 in 2012 with a 100 % rural population and three village administrations (Statistical yearbook, 2012).

Table 1. Basic information about selected cases

<table>
<thead>
<tr>
<th>Regions</th>
<th>Districts</th>
<th>Area, 1000 sq. km.</th>
<th>Population (in thousand)</th>
<th>Number of municipalities (settlements)</th>
<th>Sq. km per rural municipality</th>
<th>Density of population, persons/sq. km.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Republic of Karelia</td>
<td>Olonets</td>
<td>4.0</td>
<td>22.6</td>
<td>8 1</td>
<td>500</td>
<td>7.3</td>
</tr>
<tr>
<td>Pryazha</td>
<td></td>
<td>6.4</td>
<td>14.9</td>
<td>6 1</td>
<td>1060</td>
<td>2.7</td>
</tr>
<tr>
<td>The Nizhny Novgorod Region</td>
<td>Semenov</td>
<td>3.9</td>
<td>48.7</td>
<td>0 1</td>
<td>230</td>
<td>13.6</td>
</tr>
<tr>
<td>Bogorodsk</td>
<td></td>
<td>1.5</td>
<td>65.9</td>
<td>7 1</td>
<td>115</td>
<td>43.9</td>
</tr>
<tr>
<td>The Republic of Sakha (Yakutia)</td>
<td>Eveno-Bytantai</td>
<td>55.6</td>
<td>2.8</td>
<td>3 0</td>
<td>1850</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Source: Official regional web sites, author’s own calculations

Thus, the selected cases differ in terms of socio-economic and political indicators. Yakutia is an extreme case with a very low population density, long distances between settlements and large areas of municipalities. Yakutia is an extreme case from the perspective of the local self-government development at the beginning of the transition (though the local government was strongly limited by the regional authorities).

The Nizhny Novgorod region is the most densely populated among the selected cases. The territory of rural municipalities is small, and so are distances between settlements. According to Jurgens (2009, 9), the region is moderately liberal. Strong changes in its municipal structure took place under the reforms.

The Karelian cases are different: the Olonets district is close to the average Russian population density (8.3), while the Pryazha district has a much lower density, even lower than in Karelia (4.1). Karelia is the most democratic case (and, according to Jurgens (ibid.), the most liberal case). The border location influenced the development of the local self-government, market economy values, democracy, freedom and the self-organisation of the population (ibid.).
2 THEORETICAL FRAMEWORK

2.1 INSTITUTIONALISM AND GOVERNANCE AS STARTING POINTS

Russia started the reconstruction of the institutional base of social regulation after the complete destruction of the former system. Almost every institution governing the market and politics had to be designed after the fall of communism (McFaul, 1999). Without the appropriate institutions, no market of any significance is possible (Coase, 1992, 718).

As the post-socialist transformation is considered a profound institutional change, I had to choose new institutionalism as the theoretical framework for this study. Institutionalism is a specific approach to the study of social, economic and political phenomena (DiMaggio and Powell, 1991, 1).

As the structure of local self-government and the specific behaviour of the actors involved are the result of the set of rules (introduced in the soviet and post-soviet period) that have governed actors’ behaviour, the way the changes were implemented in the set of rules (or institutions) at the local level is of central importance in understanding the reform (with emphasis on both successes and failures). Thus, one can say that the development of local self-government in Russia is fundamentally dependent on institutions (both formal and informal) governing actors’ behaviour.

Another approach applied in this study is a governance approach. The system of governing belongs to the long-lasting social institutions (Tiihonen, 2004, 35). Changes in institutions lead to a new regime of governing and types of social interactions within local self-government. These changes can be considered in the framework of governance approach (from government to governance) with institutions as its key success factors (good governance) (ibid., 85).

2.2 INSTITUTIONALISM AS A THEORETICAL APPROACH

Institutionalism is a theoretical approach that developed in the late nineteenth/early twentieth century. Interest in the institutions became evident in different disciplines within social science, but there are a number of different versions of institutionalism that have similarities and differences. Their fundamental similarity is the emphasis on institutions (“institutions matter”) and institutional factors as a starting point for social analysis (the basic difference is the interpretation of an institution). The second similarity is the central role of structures in the analysis: structures are believed to determine behaviour as well as the outcomes of processes (though there are variations in the way different institutionalisms deal with this central role). Finally, all versions of new institutionalism highlight the paradox of institutions determined by human agents and constraining factors (there are different explanations for why actors accept institutional constraints (Peters, 2005, 155–160). The list of differences between approaches is much longer and will not be discussed here. I use new institutionalism as a choice-within-constraints framework that integrates economic and sociological approaches (Nee and Brinton, 1998, XV).
2.2.1 Institution

The social science concept of institutions has been used broadly and in a variety of ways. One can define institutions as systems of established and prevalent social rules: language, money, law, systems of weights and measures, and table manners are institutions (Hodgson, 2006, 2). The most common definition of institutions was offered by D. North (1990, 3): “Institutions are the rules of the game of a society, or, more formally, are the humanly devised constraints that structure human interaction.” According to North, institutions perform a number of tasks: they reduce uncertainty, introduce regularity and stability (but not necessarily efficiency) in everyday life, provide “a guide to human interaction”, determine the structure of incentives, and help individuals to decode social context, “define and limit the set of choices” and make decisions.

Institutions are sets of formal and informal constraints. The former are well-defined rules created by human beings such as constitutions, laws, property rights, etc; in particular, they “include political (and juridical) rules, economic rules and contracts” and ensure a hierarchy “from constrictions to statute and common laws, to specific bylaws, and finally to individual contracts” (ibid., 47). Informal constraints are conventions, norms of behaviour and self-imposed codes of conduct developed within different communities. Informal, cultural constraints connect the past with the present and future and provide “the key to explaining the path of historical change” (ibid., 6).

North (citation in Hodgson, 2006, 20–21) defined informal norms “not as rules but as norms of behaviour which have different kinds of enforcement characteristics than formal rules. Formal rules are enforced by courts and things like that. Informal norms are enforced by your peers or others who will impose costs on you if you do not live up to them.” Thus, because formal and informal constraints have different enforcement characteristics, North does not consider them rules in the same sense as formal rules. This explains his usage of different terms like rule and constraint. North frequently writes “formal rules” and “informal constraints” but not “informal rules” and differentiates between rules and constraints by enforcement characteristics.

Researchers who critically analysed North’s studies of institutions emphasise that there is no clear distinction between formal rules and informal constraints. In general, formal and informal constraints display a distinctive dichotomy, but different actors define this dichotomy differently:

- If formal means legal, then informal should mean illegal or non-legal (not set by law)
- The formal/informal distinction is the opposite of explicit versus tacit rules
- Formal institutions are designed, informal – spontaneous (Hodgson, 2006)
- State/societal distinction: formal institutions refer to state bodies (courts, bureaucracies) and state-enforced rules (constitutions, laws, regulations), while informal institutions refer to civil, religious, kinship, and other “societal” rules and organisations (Helmke and Levitsky, 2003, 8).

In this study, formal rules are considered to be “created”, “written”, intentional, while informal constraints are seen as “evolving”, “unwritten”, cultural norms.
2.2.2 How institutions interact

According to North (1990, 46), the difference between formal and informal constraints is “one of degree”. Relations between formal and informal constraints are bidirectional: the former influence the latter and vice versa. North explicitly defined unidirectional constraints as ranging from “taboos, customs and traditions at one end to written constitutions at the other”. Informal constraints are bases of formal rules; this order is logical and historically approved (“from less to more complex societies”). He gives priority to informal constraints and defines the role of formal rules as “a small (although very important) part of the sum of constraints that shape choices” (ibid., 36). There is also a reversed direction: “the informal constraints had gradually evolved as extensions of previous formal rules” (ibid., 91). So there is an inter-influence of two groups of constraints: unwritten codes of conduct underlie and supplement formal rules (North, 1990, 4); formal rules can complement and increase the effectiveness of informal constraints (ibid., 46).

Another study of the interaction between formal and informal institutions was conducted by Helmke and Levitsky (2003). Based on the work of Lauth (2000), they constructed a typology of informal institutions with two dimensions: the effectiveness of relevant formal institutions and the degree of compatibility between actors’ goals and their expectations about the outcomes of formal institutions.

Table 2. Types of informal institutions

<table>
<thead>
<tr>
<th>Complementary</th>
<th>Effective formal institutions</th>
<th>Ineffective formal institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally “fill in the gaps” left by formal institutions, enhance the performance or efficiency of relevant formal institutions</td>
<td>Coexist with weak or ineffective formal institutions created or employed by actors seeking to achieve outcomes that formal institutions were expected but failed to ensure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conflicting goals</th>
<th>Accommodating</th>
<th>Competing</th>
</tr>
</thead>
<tbody>
<tr>
<td>A “second best” strategy for actors that modifies the effects of formal rules</td>
<td>Coexist with weak or ineffective formal institutions, combine weak formal institutions with antagonistic goals incompatible with formal rules</td>
<td></td>
</tr>
</tbody>
</table>

Source: Helmke and Levitsky (2003, 12)

The authors believe that complementary and accommodating institutions exist in stable institutional settings typical of advanced industrialised countries, while substitutive and competing informal institutions are typical of the weak and unstable formal institutions that are a feature of developing and post-socialist countries (Helmke and Levitsky, 2003, 15).

Informal and formal constraints have different dynamics: the former change slowly, the latter, on the contrary, may change quickly, overnight. “The persistence of cultural taints in the face of changes in relative prices, formal rules, or political status makes informal constraints change at a different rate than formal rules” (North, 1990, 87). It follows that the general process of institutional change is a coherent coexistence of two periods of transformation reciprocally related to types of constraints (Fiori, 2002, 1029).

In addition, in some situations formal rules change while informal constraints do not. Thus, there is an ongoing tension between informal constraints and formal rules.
(North, 1990, 91). In Russia, especially in the 1990s, formal rules changed in almost all spheres of life, but informal norms from the past continue to be used. Informal constraints have great survival tenacity, because they help to resolve basic exchange problems among participants: social, political or economic (ibid., 91).

### 2.2.3 New institutionalism

Nee and Ingman (1998, 30–33), referring to Williamson’s (1994) new institutional economics, have constructed a new institutionalism model in sociology, a model of institutions, embeddedness and group performance. They assume that actors are rational (but not hyperrational) and make decisions according to the cost-benefit criteria under the lack of information, and within bounded cognitive capacity and uncertainty determined by institutional changes, which are typical not only of developing but also of developed industrial societies (North, 1998).

![New institutionalism diagram](image)

The authors consider formal and informal constraints at different levels of analysis to construct a hierarchy and to locate informal constraints in the domain of interacting individuals that produce informal norms. Formal rules create an institutional framework, in which actors behave and interact. Such separation of formal and informal constraints into different levels helps in analysing the forming institutions.

Organisations are groups of individuals bounded by a common purpose to achieve objectives. Organisations can be political, social or economic. In this study, they are local authorities, deputies, local schools, culture clubs, women’s clubs, local enterprises and
entrepreneurs, farmers, etc. – actors or players. What kind of organisations emerge and how they evolve are fundamentally influenced by the institutional framework. In turn, organisations influence the way in which the institutional framework evolves (North, 1990, 5).

Two types of causal relationships can be distinguished (Fig. 1). The hierarchically superior levels define structures of incentives and, thus, establish goals for social units at lower levels. Subordinate social units influence rules at superior levels, and account for performance at those levels (Nee and Ingman, 1998, 32). Downward arrows indicate the influence of formal rules on organisations, small groups and informal norms. Institutions also affect individual action through endogenous preferences. Upward arrows indicate that hierarchically superior levels are constituted and influenced by the levels below them. Individuals and small groups create and enforce informal constraints. Rules are determined by groups within the organisations through a bargain (Knight and Ensminger, 1998), and an organisation’s functioning depends on its group performances. Organisations in turn affect formal norms through political actions, while their activities determine the macro level (Nee and Ingman, 1998, 32).

As we can see, there is a complex interaction between the state as a designer of formal rules and the society as being bounded by its informal constraints (Boliari, 2007). This study explores institutional processes at two levels – state and local. On the one hand, it focuses on the legal framework, on the hierarchically superior level and its influence on social units at lower levels. On the other hand, the study focuses on the local level, which has to adopt formal rules, according to which it behaves, interacts, reacts and influences hierarchically superior levels. Such a micro-macro linkage is a central issue for the new institutionalist paradigm (Nee, 1998, 3). An interplay of formal and informal institutions is often more important for the success of nations than a mere abundance of resources and income factors. The quality of institutions and their management is a crucial source of success (Tiihonen, 2004, 102–103).

Institutional analysis can be conducted in two forms. The first one is an analysis of an institution as a structure with its own functions and roles; this analysis is static. The second is to analyse the process of institutionalisation (founding, functioning and changing of an institution). In this study, both forms are used to consider: current structures and functions of local self-government (LG) as well as the development of local self-government in Russia. It should be noted that in Russia the process of institutionalisation of LG had top-down direction and LG is still at the formation stage.

2.2.4 Local government as an institution

Local government (LG) is the closest to the citizens’ level of government: in democratic society this means that people can choose the scope of local public activities and general model of governance. LG is supposed to respond to local needs by providing necessary services and facilities: municipal transport, public services, schools, kindergartens, local infrastructure (roads, bridges, wells), etc.

The European Charter of Local Self-Government (1985) defines it as follows:

1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.
2. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage, and which may possess executive organs responsible to them. This provision shall in no way affect recourse to assemblies of citizens, referendums or any other form of direct citizen participation where it is permitted by statute.

In academic debates, there are different interpretations of the nature of local self-government, its role and place in the system of public relations. The condition and the future of this institution depend on the chosen definition and understanding of local government by the society and state. Academic debates on the nature of local self-government consist of several theories – the theory of free community, and societal and state theories (Velikhov, 1928; Vucinich, 1960) – that differ in the way of organising state-community (central - local) relations.

The Theory of a free community (communal theory: Heusala, 2005; Salov 2008) implies classic liberal ideology. According to Tocqueville (1835), self-government is the main condition for political freedom and democracy, and it acts as a mechanism of political socialisation and formation of civil consciousness. In the work Democracy in America, published in 1835, he wrote that public institutions “are to liberty what primary schools are to science; they bring it within the people’s reach, they teach men how to use and how to enjoy it. A nation may establish a free government, but without municipal institutions it cannot have the spirit of liberty”. One of the main ideas in Tocqueville’s theory is that the initial source of power (authority) is not the state and not the people, but voluntarily uniting individuals pursuing their own goals. The theory of a free community proves that the community’s right to administer its life is of the same natural and inalienable character as personal rights and freedom, because community historically arose earlier than the state, which should respect freedom of communal management. Thus, this theory is against ideas of a natural right. It recognises community as a naturally developed corporation independent from the state. The rights of the community to self-management are determined by the nature of the community as such. To prove the freedom and independence of the community, the theory addresses the history of medieval communities (free cities and their struggle for independence against the feudal state).

The societal theory (social theory (Heusala, 2005), or public theory (общественная теория in Russian (Salov, 2008)), like the theory of a free community in many respects is based on the idea of the opposition of the state and local communities. According to this theory, self-government is mainly the management of local community life and the communal economy.

The societal theory was popular in the Russian pre-revolutionary law. Prince A.I. Vasilchikov (1869–1871) was the founder of this theory in Russia. The theory claimed that the interests of the society do not always coincide with the interests of the state (sometimes they are opposite), therefore local establishments should have the right to independently manage all local economic and public affairs. According to Vasilchikov, self-government is not only a specific sphere of public authority, but a way of self-organising the territorial community. The societal theory, according to H.M. Korkunov (1901), sees the essence of self-government as providing the local

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5 Some authors have defined only two opposite theories: state and social. See, for example, Ross (2009).
society with the right to pursue its own interests, while the state government should take care only of state affairs. The theory believes in the opposition of local society to the state, and public interests to political ones, demanding that the society and the state mind only their own interests. The societal theory had a great influence on the zemskaja (земская) reforms in the 1860s in Russia.

The state theory of self-government was developed by the German scientists Lorenz von Stein and Rudolph von Gneist in the nineteenth century. It claims that local governments are state bodies; their competence is not special, original or natural as it is entirely created and regulated by the state. According to the theory, self-government should operate both in public and state interests. Some ideas of Western scientists within the state theory on the nature of local government greatly affected the Russian thought in the pre-revolutionary period in searching for a balance between state and local authorities.

These polar positions seem to be ideal types of the theory rather than practical guidelines for organisational practices (Gelman, 2004, 87). The theories emphasise the dual nature of local government: on the one hand, it is an independent institution of civil society under the control and responsibility of the people; on the other hand, it is a state institution. Depending on what (society or state) serves as the basis for the development of self-government, there are different theoretical interpretations of this phenomenon and its real functioning within the political system of the country. And the debates between supporters of society and of state theories have been sharp for more than two centuries as every theory has a rational grain. Lazorevsky (1910) noticed that every theory is true in the sense that “it underlines some key features of self-administrative units and takes them as an essential value, but each of these theories is incorrect for they consider that feature basic and exclusive”.

Due to different theories there are several models of local government differing by the type of balance between the state authorities and local government. The Anglo-Saxon model or dual system of LG (Great Britain, USA, Canada, Australia) assumes that local government is separated from the state authorities and to some extent opposes it as being formed directly by the population (Sysuev, 2004). This model is based on the societal theory of local government and emphasises the need to restrict the intervention of the state to community affairs. Local councils here are autonomous within their legal area of authority; the mayor has no special power.

The European continental model, French model or fused system (France, Italy, Spain, Belgium, some countries of Latin America) is based on the state theory of local government, which is declared, on the one hand, as being responsible for solving local issues, and on the other hand, as a part of the state authority. So there is a combination of locally elected council with strong central supervision.

The Nordic model or split hierarchy system (Norway, Sweden, Denmark, and a number of other countries like Austria, Germany, the Netherlands and Japan, that have differences in some key elements, but form a distinctive group) is a compromise of fused and dual systems. The central government holds considerable power over the local level and appoints its members, but local councils are autonomous within their areas and follow a collective mode of decision-making (Bennett, 1997, 4).

In theory, post-socialist countries were free to select from various forms of local government models. In practice, they adopted a combination of Western and traditional models (ibid., 4). Broadly speaking the law of the USSR “On General Principles of Local Self-Government and a Local Economy in the USSR” of the 1990s in the Soviet Union and later Russia (the law “On the Local Self-Government in
RSFSR” in 1991 and the Constitution in 1993) developed the Anglo-Saxon model of local government.

Thus, the institutional approach to local self-government is up to date regarding the changes in socio-economic and political systems, which are impossible without institutional transformations. Local self-government is an institution that consists of formal and informal constraints “reducing uncertainty by providing a structure to everyday life” (North, 1990, 3). In Russia, there were radical changes in formal institutions: legislation presupposes the development of local self-government and other economic and political issues such as privatisation, private property, administrative reforms, etc. The changes in formal institutions or lack of them led to changes in informal institutions. The development of local self-government in Russia should be studied from the institutional approach perspective.

2.2.5 Local government as a political institution

Gelman (2002), Salov (2008) and others consider LG a political institution. According to Gelman, the political basis of LG is an essential (though not sufficient) precondition for the rise of local autonomy and local democracy or the lack of them. In addition, public opinion, value orientations and political behaviour had a high significance for the local self-government development in Russia.

According to Gelman (2002), the development of local self-government as an autonomous institution has a double effect. On the one hand, in the normative sense, it must be an effective institution that ensures equal rights for all political actors and citizens. On the other hand, it is a redistributive institution that distributes resources between federal, regional and municipal levels. As a result, institutional changes are conflicting; everyone is interested in the effective institution and its autonomy, but nobody wants to share resources. Gelman’s study concerns the issue of autonomy in urban areas mainly for regional centres (conflicts between governors and mayors). He considers other territories to be backward peripheral and semi-peripheral zones. In such zones (rural areas are representative of them) the development of local autonomy and democracy strongly depends on the situation at regional level. In the 1990s, Karelia was one of the leading regions in developing the institution of local self-government, while the Sakha Republic seeking sovereignty limited this process.

2.2.6 Local government as an economic institution

Local government can be considered an economic institution because formation and development of local government is impossible without a strong financial and economic basis. LG as an economic institution is involved in local economic development (LED). According to Swinburn et al. (2006, 1), “LED is about building up the economic capacity of a local area to improve its economic future and to improve the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”.

According to VNG International (2007) local governments as economic institutions are responsible for financial planning and management, development and implementation of local economic policy, SME development, labour market
development, and land market and infrastructure development. Local governments have to have the ability to stimulate the local economy and become a key driver of local economic development. Also, local governments as economic institutions are responsible for the improvement of the quality of life for local people. Whether in terms of creating jobs, housing or providing services, the main goal is to allow the entire community to enjoy the benefits of the prosperity that growth and development provide (The role of local government, 2007).

2.2.7 Local government as a social institution

According to Mironova (2007), the interpretation of local government as a social institution means both ordinary people and representatives of the authorities understanding its very nature and essence. She defines the social institution of local self-government as “an organised system of relations, functions and social norms”, which includes several elements:

- A combination of formal rules defined by laws and other legislative acts of the state that regulate the relations within the local self-government, i.e. the legal institute of local self-government as a part of social institution;
- A system of organisations acting in the sphere of the theory and practice of local self-government (authority structures, scientific organisations, associations, funds, etc);
- Public-civil structures through which Russian citizens can realise their constitutional rights to the autonomous solution of local problems (individually or within the local community);
- A system of values, traditions, statuses, roles and unwritten rules of Russian citizens including representatives of the authorities at all levels of local self-government functioning in Russia (Mironova, 2000).

According to this list, she makes “institution” equal to “social institution”. However, later she wrote that “social institution is a peculiar ‘knot’ to demonstrate the activity of society” focusing on “down-up” activity. The development of social activity in the local population, social inclusion, civil society, participation of the population in local decision-making, and the development of trust in authority and among citizens in each other, are elements of the social institution of local self-government. This aspect is actual in the Russian case, where the institute of local self-government was formed from above by formal (legal) rules.

Another perception of LG as a social institution highlights the social role of local self-government as a provider of services (Torjman and Leviten-Reid, 2003; Nazina, 2007). Local governments are to promote awareness of the social needs of community; local governments can foster a sense of responsibility for social well-being among all sectors including business, community groups and other levels of government; local governments can help to establish relationships between the diverse organisations and sectors that comprise the community; local governments can integrate more effectively all the services they provide (Torjman and Leviten-Reid, 2003, 6). Local governments are to satisfy the interests and needs of the local population.

These two different views on local self-government as a social institution reflect differences in understanding the nature of local government discussed above. Mironova’s interpretation of the nature of local self-government reflects the societal
theory. The second point of view is close to the theory of social services (or economic theory).

2.2.8 Nature of local government in the academic and political debates in Russia

Discussions about the nature of local self-government took place in both academic and political circles. In academic debates, one can find supporters of the state and societal theories and theory of municipal dualism. For example, Balytnikov (1998, 2), a deputy head of the Department of Sociopolitical Research of the Russian Public Opinion Research Centre, underlined the state nature of local government, and defined the state as a comprehensive political organisation, so “if the public (state) power can be carried out through local governments, then local government is by definition a state institution”.

During the post-soviet period the idea of the dual nature of the local self-government was supported by many Russian scientists (for example, Avakjan, 1993; Podovzhnaja, 1998; Shirokov, 1997, etc.). They developed the idea that local self-government is based on the combination of two principles (state management and self-government) and represents a “balance between local autonomy and centripetal aspiration of the state” (Avakjan, 1993, 145). Podovzhnaja (1998, 29) considered it impossible to define local self-government only as an element of the state or of civil society as it unites them both. Thus, local self-government and state government are complementary in the regulation of contemporary society.

However, within the theory of the dual nature of local self-government there are different attitudes to the key part of the dualism. For example, Nazina (2007) focuses on the specificity of the local government institution and its dual nature and highlights the societal nature of LG as basic “because the state attempts to establish LG without the support of local community cannot lead to the formation of the institution” (ibid., 2007, 13). Ibragimov (1997) noticed the dominance of the state approach to the development of the municipal project in Russia.

Political debates

According to Gelman (2004, 87–89), in the Russian political community there are different attitudes to the nature of local government. He identified four groups of federal actors involved in the local government reform. The first group, “managers” (управленцы), were mainly federal bureaucrats that sought to secure opportunities to use administrative power to control the local government. This group supported the state theory of local government and considered the central control over local authorities to be a major criterion of the effectiveness of the reform of local government.

The “utilitarians” (утилитаристы) were powerful politicians seeking to establish relatively strong local governments that were autonomous from the regional authorities. They defined local government as a tool for redistributing political and economic resources under the political reform. Their ideology was based on the societal theory.

The “re-Sovietizors” were representatives of the Communists and their allies, who after 1993 used the ideology of “the resurgence of the Soviets” as a part of their anti-presidential and anti-governmental activities. However, their programme did not imply autonomy for local government and called for the resurgence of vertically integrated corporations as opposed to the “executive vertical”. Nevertheless, due to their
opposition to the ruling group, the re-Sovietizors (contrary to the logic of their state-oriented priorities for local government) sometimes supported societal-oriented ideas. The last group defined by Gelman (2004) is “self-governmentalists” (самоуправленцы) that considered local self-government as a part of the project of strengthening civil society and establishing strong local self-government based on the principles of separation of power and representative government.

Thus, in the theory of self-government in the Russian historical and political science one can see that, on the one hand, it was developed under the rigid polemic between supporters of various theoretical approaches, while on the other hand, it was conceptually eclectic due to the “surprising mixture of all stages of genesis” (Govorenkova, 1999, 61). The lack of a uniform conceptual basis of the local government reform predetermined the inconsistent and contradictory character of the legislation on the local government both at the federal and regional levels, and also different perceptions of the nature and directions of the local government reform among representatives of federal and regional elites. As Ryszhenkov (1997) noted, both central and regional authorities tried to strengthen their political influence by applying different principles of the organisation of the local government. Local government was expected to have some federal powers as well as the majority of regional powers. Therefore, the centre tried to weaken regional governments by forcing them to share their powers with the local government, while the regional authorities tried to resist these attempts by limiting the power of local governments.

2.3 GOVERNANCE AS A THEORETICAL APPROACH

2.3.1 What is governance?

“Governance” became a popular concept in science, politics and even public opinion; the shift from government to a broader and more flexible system of governance has been widely discussed. In political debates the term “governance” usually applies to stable coordination and cooperation among different actors with diverse objectives. Among actors, there are state and other political actors, business interests, civil society and even transnational enterprises. Many functions of local governments that were earlier considered their own responsibility later became common societal problems that could be solved not only by political institutions but also by some other actors (Pierre, 2000, 4). Rhodes (1996, 652–653) notes that governance is not a synonym for government as it is much wider. According to Stoker (1997), governance means governmental and non-governmental organisations working together. Rhodes (1996, 652–653) believes that “governance” underlines a change in the meaning of “government”: governance refers to a new process of governing, or a changed form of ordered rule, or new methods by which society is governed. Rhodes continues: the definition is simple, but the problem of definition becomes acute when specifying these new processes, conditions or methods.

The works on governance can be divided into two groups. In the first group the move to governance is associated with a neoliberal political context; this is mainly a state-centric approach that considers state functions and performance, the extent to which the state has the political and institutional capacity to “steer” and how the role of the state relates to the interests of other influential actors (see, for example, Jessop,
informal agreements have a very strong influence on the governance relations. To see the essence of local governance, we need its ideal type. Governance in rural areas can be considered a multidimensional combination and interaction of actors (see Fig. 2, in which I want to show interrelations, interaction and interdependence of different actors of local development). It is not only authorities (letter A) that are responsible for local development. “Governance is about governmental and non-governmental organisations working together” (Stoker, 1997). This includes the public sector, local community, voluntary organisations and business structures (B, C, D, E as other actors). In such a system, government becomes one of the actors in the system of governance in the given geographical context.

It is very important for the local government to make contact with different actors, and actors should interact among themselves. Any single actor, public or private, does not have enough knowledge and capacity to deal with problems effectively. Interdependence

Figure 2. An ideal type of governance

This study is based on the second interpretation of governance as an organising framework. Governance is a tool for regulating interrelations of actors at the local scene. In the context of this study, governance is local; traditions, norms and informal agreements have a very strong influence on the governance relations. To see the essence of local governance, we need its ideal type. Governance in rural areas can be considered a multidimensional combination and interaction of actors (see Fig. 2, in which I want to show interrelations, interaction and interdependence of different actors of local development). It is not only authorities (letter A) that are responsible for local development. “Governance is about governmental and non-governmental organisations working together” (Stoker, 1997). This includes the public sector, local community, voluntary organisations and business structures (B, C, D, E as other actors). In such a system, government becomes one of the actors in the system of governance in the given geographical context.

It is very important for the local government to make contact with different actors, and actors should interact among themselves. Any single actor, public or private, does not have enough knowledge and capacity to deal with problems effectively. Interdependence
among actors has become an important component of development because every actor brings specific skills and resources into the partnership relations (Goodwin, 1998). Governance means changes in relations – from hierarchy to networking. Partnership has thus become an important element of governance (Jones and Little, 2000).

2.3.2 The territorial dimension of governance

Territories are not only spaces for localisation of population, different resources and business. Territory is an active element of local development that can be defined as a set of actors. Territorial governance is a kind of organisation and coordination that allows territories at different levels to act as “collective actors” (Davoudi et al., 2008). Every region and village has its own features, resources and endogenous potential that can be estimated, developed and used through the notion of territorial capital. Territorial governance focuses on a place-based and territory-sensitive approach (Toward better territorial governance, 2014).

Territorial governance means not only a shift from top-down centrally driven development to bottom-up localised development. It also means a shift to a broader territorial approach capable of exploring local resources, potentials and opportunities. Territorial governance also means participation of different stakeholders in local development. Actors’ networks are rooted in specific places and are interested in local resources and competitive advantages (Davoudi et al., 2008). In addition, territorial governance is a combination and coordination of actions between local, subnational, national and international stakeholders within the broader governance framework, i.e. territorial governance combines horizontal and vertical relations. Vertical coordination is usually based on formal institutional relations, policies and the principle of subsidiarity. Horizontal coordination can rely on both formal/institutional and informal/non-institutional relations. Informal institutions, customs, traditions, norms, religion, legacy of the past all matter in the horizontal coordination within territorial governance. Embeddedness is one of the features of territorial capital, so territorial governance aims to maximise vertical and horizontal coordination and cooperation, to encourage participation and to promote territorial development (Davoudi et al., 2008). Additionally, territorial governance is the empowerment of local communities and has a strong social dimension.

2.3.3 Governance in the political and scientific debates in Russia

It can be said that the concept of “governance” was not used in Russia as it was understood in my theoretical framework and it has been translated as “management”, “public administration”, “governing body” or “authority” or not translated at all. In Russian publicist and scientific works one can find such expressions as “good governance”, “IT governance” and “business governance” without translation and usually associated with the so-called “Western models” of administration and management; local governance was considered a synonym for local government; in the political debates “governance” was an unknown term. Thus, the term “governance” can become a framework for the analysis of changes in the last few decades with a view to understanding their essence and results.
3 INSTITUTIONAL AND ORGANISATIONAL STRUCTURE OF RURAL AREAS IN THE SOVIET TIME

History matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of a society’s institutions. Today’s and tomorrow’s choices are shaped by the past (North, 1990, vii).

The one who does not regret the disintegration of the Soviet Union does not have a heart; the one who wants to restore does not have a head.

To identify the changes of the years of transition, I start from the soviet period: who were the local actors of the soviet village? What was the place and role of local authorities in the institutional and organisational structure of rural areas? How did actors interact?

The meaning and role of the local government in the soviet and post-soviet history have changed considerably. In the soviet period the term “local self-government” was not used. There were Local Councils of People’s Deputies or the Soviets. In rural areas there were Soviets of the district (районные Советы), rural and settlement Soviets (сельские и поселковые Советы). The institute of local government has not been fixed either in the Constitutions of RSFSR of 1937 and 1978 or in the laws on local Soviets.

Local Soviets (rural/settlement and district) and their executive committees acted as local bodies of public authority, as a structural part of the uniform centralised management system (see Fig. 3).

Local Soviets were not autonomous bodies and acted “much more as agencies of the central state than as independent units of government” (Ghurchward, 1975, 179) and were directed and controlled by the governments of higher levels. The rural Soviets did not make decisions on most issues until they had instructions or approval from the higher level. Local councils were responsible for implementing government regulations, making decisions on local issues, and the economic, social and cultural development of the territories.

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6 It is difficult to identify the author. In interviews it was used by Aleksander Moroz (the Socialist party of Ukraine), Vladimir Shumiko (Russian politician of the 1990s), Aleksander Lebed (ex-governor of the Krasnodar Krai), Petr Luchinsky (Moldavian politician, the second President of Moldova), Egor Stroev (Soviet and Russian politician), Vladimir Putin (as the Prime Minister of the Russian Federation), Nursultan Nazyrbaev (President of the Republic of Kazakhstan), Leonid Kuchma (Ukrainian politician, ex-President of Ukraine) and Viktor Chernomyrdin (Soviet and Russian politician).
3.1 ACTORS

The main actors in rural areas were Soviets, agricultural enterprises (kolkhoz/sovkhоз) and rural households.

3.1.1 Soviets

According to the legislation, Local Soviets (rural/settlement and district Soviets) possessed extensive rights to the local development. The main slogan of the Bolsheviks was “All power to the Soviets!” (Вся власть Советам!). The organisational structure and functions of local councils changed several times due to the industrial reorganisation of the Soviet Union: for example, establishing agricultural and industrial Soviets according to the “production principle” (for details see Ghurchward, 1975, 172–191). During the late Soviet time Local Councils of People’s Deputies worked on the basis of the legislation adopted in 1968–1971. Among the legislative acts was the Law “On the Status of Deputies of the Soviets of Workers’ Deputies in the USSR” (Vedomosti…, 1972, 347), decrees of the Presidium of the Supreme Council of the USSR, “On Basic Rights and Duties of Rural and Settlement Soviets of Workers’ Deputies” (Vedomosti…, 1968a, 131), decisions of the Council of Ministers of the USSR (March, 1968), “On

7 The scheme is based on Patsiorkovsky, V. (2003, 57).
Measures to Strengthen the Material-Financial Rural Basis of Rural and Settlement Soviets of Workers’ Deputies”, laws of RSFSR, “On Rural and Settlement Soviets of Workers’ Deputies of RSFSR” (Vedomosti…, 1968b, 1148), etc. These legislative acts considerably expanded the rights of rural, settlement, urban and regional Soviets. In particular, rural and settlement local government acquired the right to control the work of collective and state farms, local industry, consumer services, trade and public catering, housing and communal services to develop public health services, education, culture, communication and other organisations to satisfy the needs of the population of the subordinate territory (Law of RSFSR, 19.07.1968, article 4).8

For these aims the deputies of local Soviets had the right to take part in considering the perspective and annual plans for the development of collective and state farms and the enterprises of local industry, to suggest production and financial plans for housing construction, sociocultural, consumer and trading services, improving the quality of life in villages and settlements, constructing local roads, using local raw materials and labour force, to monitor timely payments to the Soviet’s budgets by collective and state farms, enterprises and organisations located in the Soviet the territory, and to redistribute excessive property and equipment between enterprises and organisations at the settlement or rural Soviet budget (Law of RSFSR, 19.07.1968, article 12).

In the field of agriculture, settlement and rural soviets assisted collective and state farms, associations and other agricultural organisations in developing agricultural production, implementing production plans and state obligations, establishing subsidiary enterprises, increasing the labour productivity and strengthening the labour discipline, keeping up personal subsidiary plots, etc. (Law of RSFSR, 19.07.1968, article 13).

Decisions of settlement, rural Soviets were obligatory for execution by all located on territory of the Soviet – for collective and state farms, enterprises and other organisations, and also officials and citizens. In case of non-fulfilment Soviet’s decisions by heads of enterprises and organisations Soviets and its executive committee could apply to the higher bodies to punish these heads by dismissal (Law of RSFSR, 19.07.1968, article 7).

The representativeness of the Soviets was always a cause of pride for those who formed them. There were as many women, members of the Komsomol, communists, non-party members, writers, steelmakers, veterans of war, Russians, Ukrainians, Yakuts, Jews, etc. as it was necessary to have. The state checked that the representation of various classes, groups and nationalities was proportional and according to the “all-nations authority” (“всеприходящая волость”). For the elections, there were informal orders regarding the necessary number of mandates to represent different groups.

Thus, the fact that half of the women deputies had to prove the equality of men and women in the USSR, the prevalence of workers and collective farmers proved the power of the working class, and the large share of non-party deputies proved “the constant care of the communist party about involving a wide range of workers in the management of the state” (Morozov, 1987). However, women, members of the Komsomol, veterans, steelmakers, Yakuts or even communists never had opportunities to delegate to the Soviets those deputies that they really wanted. Non-alternative elections and regular re-elections for the key posts of representatives of the

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nomenclature were supported by the system of promotions and preliminary selection of nominees: the party channels “from above” assigned the nominee as if he was put forward by the “initiative of the masses”. Elections were fiction; such a manipulated system easily shaped to any set in advance form (ibid., 63).

According to Birjukov and Sergeev (2004, 59), the revolutionary authorities from the very beginning reflected Lenin’s perception of government as the power of the **Bolshevist** (communist) party, so the Soviets were an institution to establish and keep up the regime. Lenin did not believe that the proletariat would spontaneously develop a revolutionary class consciousness, and declared the need for a political revolutionary party as a vanguard of the changes. At the higher levels (federal, regional, district) the party was a parallel structure to the administrative and economic structures. But at the local level the _party was an invisible actor_ with a significant role in the local life. The party was _deeply embedded_ in all existing structures, which led to the strong control of all aspects of local life by the party-economic symbiosis. In rural areas this symbiosis provided with much power not the local authorities but the agricultural enterprise (kolkhoz/sovkhoz) that became the main economic, political and social actor at the local scene. Even the Soviet legislation strongly expanded the rights of the Soviets, though mainly on paper. All the functions established by the law were executed by the party-economic symbiosis. In this situation, the main tasks of the local authorities were developing favourable conditions for the economic activities of enterprises and organisations. In addition, the local authorities had control functions over migration of the population (прописка), the military and acts of civil status registration, etc.

### 3.1.2 Kolkhoz/sovkhoz

Kolkhoz/sovkhoz was the main employer in rural areas, providing almost full employment of the rural population. Unemployment was an unknown term in the Soviet period (at least in theory).

In the final decades of the Soviet period, kolkhoz/sovkhoz was not only an economic agent but also a social institution strongly supporting village life: land use, planning and housing construction, employment, general infrastructure, social services, leisure time activities, annual festivals etc. The local authorities could not implement such functions. The legal basis for such wide activities was adopted by the All-Union Congress of kolkhoz workers in 1969, “A Model Kolkhoz Charter” acting as a “party instruction or a government decree” (Kozyr’, 1981). This Model Charter included such chapters as “social provision of collective farmers”, “culture, everyday life” and “subsidiary plots of collective farmers” that regulated kolkhoz activities in these spheres of the everyday life of the village. For example, kolkhoz could provide financial assistance to kolkhoz members; allocate resources for the construction of bathhouses, pioneer camps and houses for the disabled and pensioners; build libraries, clubs and sports playgrounds; provide the local schools with land, seeds and fertilisers; develop the territory with electrification; render services; give land to collective farmers, teachers, medical staff and other specialists living in rural areas, etc. (The Model Charter, 1969). As a model charter it was implemented throughout the Soviet Union and aimed to ensure equal conditions for all soviet villagers.

Thus, agricultural enterprise was the main actor in rural areas in the final decades of the Soviet period. Together with the deeply embedded party system, this actor played both economic and social roles in the soviet village.
3.1.3 Rural households

In the soviet scientific discourse, the household phenomenon was ignored for economic and ideological reasons (lack of market relations and private property). The household economy was limited to one basic function – satisfaction of personal needs of family members (consumption), and providing a link with production. As a result, soviet scientists almost totally ignored the possibility of selling production and did not consider the household as an economic agent.

The Soviet psychologist and economist Kharchev (1968, 1979) wrote that the activities of the family at various stages of its development were expressed in such functions as organisation of production, private property accumulation and consumption. The first function played a significant role in the class society with its small private property/business (peasants, craftsmen). Cooperation between agriculture and handicrafts led to the gradual decline of such forms. Under the transition to socialism the second function declined. As a result, only one function remained under socialism – consumption.

The demographer Volkov (1986) described “intrinsic” changes in family functions as follows: the centre of gravity moved from economic, material functions of the family to the sphere of personal relations inside the family that corresponds to the ideal of family relations that are free from self-interest and material calculations. Thus, behind a family only the demographic function is retained – of reproduction of new generations.

Patsiorkovky (2003, 60–62) defined five functions of soviet rural households: three were mentioned above (obligatory participation in production, reproduction of population and consumption); the two other functions were maintenance of household plots and participation in village life.

In the Soviet period, there were different restrictions on household production activities. For example, the number of livestock and even the quantity of fruits and berries planted were established. An obligatory plan for state purchases of milk, meat, eggs and potatoes was introduced and an excessive tax burden that made household production unprofitable was imposed.

The size of household plots depended on the type of occupation. Collective farmers had up to 0.50 hectares; a worker or a specialist at the farm up to 0.30 hectares; a rural doctor, teacher, postman or seller up to 0.25 hectares; and a countryman, working in other branches of the economy up to 0.15 hectares. This hierarchy was strictly maintained and in the case of dismissal from the collective or state farm the personal plot was “cut off”. City dwellers who bought or inherited a house in the countryside could have up to 0.06 hectares (articles 60, 66 and 73 of the Land Code of RSFSR, 1970).

The last function was participation in rural life. All households had to be involved in some way in local life, mainly by communications with relatives and neighbours, but also with the labour collective, i.e. colleagues and friends at work.

3.2 INTERACTIONS

There were both vertical and horizontal links in the management of the Soviet system (some type of governance). Vertical links were established by the authorities and party hierarchies, horizontal links by the participation of the local population in self-government.
3.2.1 Vertical structure: authority and party hierarchies

Soviet hierarchies were constructed on the principle of “democratic centralism” and “dual subordination”. Democratic centralism was the major principle of the organisational structure, activity and management of Marxist-Leninist parties, the socialist state and socialist economy. The nature of democratic centralism was determined by a combination of democratism (sovereignty of workers, their initiatives, and the electivity and accountability of their executive bodies) with centralisation (management from the centre, subordination of the minority to the majority, discipline, priority of common interests) (Great Soviet Encyclopedia). Lenin proclaimed that democratic centralism would ensure freedom of discussion and unity of action (Heywood, 1998, 132). Lenin’s theory implied the monopolistic ruling party. As a source of political power within the communist state (or becoming a communist state), the Communist Party was the leading and guiding force for the government and all other institutions.

The principle of democratic centralism led to the dual subordination of local authorities – to the higher level of authority and to the party. Therefore, two types of hierarchies existed in the Soviet period: administrative/authority hierarchy and party hierarchy. The soviet term Party-Soviet bodies (партийно-советские органы) confirmed the symbiosis of the Communist Party and authorities – the Soviets.

In addition, there is a third type of hierarchy and subordination of the local authorities – village/local hierarchy (“кто платит, тот и заказывает музыку” – he who pays the piper calls the tune). Agricultural enterprises had a higher status at the local scene and could set their own rules of local life for rural Soviets and rural households, which strongly depended on them (kolkhozes/sovkhозы). However, agroenterprises were not an independent local actor. There was an economic symbiosis between enterprises and the party. At enterprises, there were usually two higher positions – the director of the enterprise and a leader of the party organisation of an enterprise. The director never headed a party organisation. The party leader was to conduct meetings, register party members and control the moral spirit, discipline and atmosphere at the enterprise. The main function of the party leader was to ensure the implementation of the plan and stable production.

Thus, at the local level the party was deeply embedded in all administrative structures. It was almost impossible (with rare exceptions) to hold a position in the authorities or in the management of the enterprises without being a member of the Communist Party.

3.2.2 Horizontal structure: mass participation

According to the Constitutions of the Soviet Union, citizens had the right to participate in the local development. Ghurchward (1975, 182) provides a lot of examples of mass participation in local development. There were deputies of local Soviets, “activists” (non-deputies) of the Standing Commissions of local Soviets and citizens involved in the activities of Street Committees, House Committees, Library Councils, Social Courts, Voluntary Militia Squads, etc. The number of Soviet citizens directly involved in the local governments was about 27 million in 1967. In addition, there were over 38 million engaged in voluntary administrative work, social services and safety commissions of the Trade Unions (ibid.).
One of the forms of mass participation was rural meetings (skhods (сход)) as a form of direct participation of the local population in “affairs of communism construction and strengthening the interaction of the Soviets and population” (Kochev, 1980).

The interaction of LG and the local population was organised through a mandate of voters (накази избирателей). It was one of the major institutes of direct democracy that, as Brezhnev said, “express the diverse demands of the population, reflect specific interests of different groups of workers and society as a whole. Therefore, following the mandates is the major part of the work of the Soviets and their deputies” (quoted in Osnovin, 1977). Deputies of local Soviets often produced reports for the groups that nominated them: factory, workshop, mine, school, collective farm, etc. (Ghurchward, 1975, 189).

As a result, the Soviet system with its centrally planned economy, principles of democratic centralism and strong subordination constituted an effective mechanism of political and economic homogenisation for the rural areas (Lindner, 2007, 494). However, geographical, cultural and social aspects of rural life determined significant differentiation of rural areas across the Soviet Union.

3.3 THE LATE SOVIET PERIOD

The situation started to change under perestroika. The first step toward democratisation of the Soviets was taken at the end of the 1980s.

At the XXVII Congress of the Communist Party of the Soviet Union (CPSU) several directions of the reform were set: renewal of composition of the Soviets and adoption of the new system of elections so that “elected deputies are the most worthy people capable at conducting state affairs at the highest level” (Gorbachev, 1986, 72). In 1987, at the Plenum of the Central Committee of the CPSU, Gorbachev suggested starting the reform of the electoral system and openly discussing it. For the first time the state suggested discussing several nominees so that “every citizen could express his attitude to the wide range of voters, and the party and Soviets could learn the moods and wishes of the population” (Plenum Papers, 1987, 47).

Since 1987, important changes in the activities of the Soviets had started. According to the decision of the Central Committee of the CPSU “On the Elections to the Local Soviets of People’s Deputies, National Judges and Jurymen of Regional (City) National Courts” (February 17, 1987), there could be several candidates for one district; it was recommended to abandon the indirect elections of members of executive committees by the deputies of the Soviets; also, more than two terms in the position were forbidden.

The experiment of 1987 during the elections of local councils was an important step in the democratisation of the Soviets. In 5% of districts across the Soviet Union the elections allowed multi-mandatory districts, and for 94,000 deputy mandates 120,000 candidates applied. Thus, starting with the selective decentralisation at the municipal level, the political leaders of the USSR started realising the idea of large-scale decentralisation of the Soviets’ system at all levels (Mitrohin, 1999).

The XIX All-Union Party Conference in the summer of 1988 considerably accelerated the democratisation of the Soviets. Gorbachev in his report at the conference set a course for the “redistribution of authority between party and the state” and underlined the “necessity of reorganising the local management on principles of self-government, self-financing and self-maintenance”. “The revival of the sovereignty (полновластие) of the Soviets” became the main task as the “introduction of alternative elections to
the Soviets at all levels”. However, there was again a tendency “to recommend for
the posts of chairmen of the Soviets the first secretaries of the corresponding party
committees” (XIX All-Soviet conference of CPSU, 1988, 53, 55). This direction of
the reform was considered quite democratic for the Soviets and Communist Party, which
were considered democratic institutions. The slogans of that time were “Talk less,
work more!” (меньше слов, больше дела), “Start Perestroika by yourself!” (перестройку
следует начинать с себя), etc. (Matveev, 2003).

In the spring of 1990, the 6th article of the Constitution of 1977 about the leading
role of the Communist Party was repealed after mass meetings and demonstrations
in many cities across the Soviet Union. On February 4, 1990, in Manezhnaya Square
in Moscow, at least 200,000 people protested. Later such gatherings took place in
Leningrad, Kuibyshev, Saratov, Gorky, Perm, Sverdlovsk, Tomsk, Irkutsk, Minsk,
Kharkov, Tbilisi and other cities. According to the VCIOM, the demand to cancel
the 6th article was supported by more than half of the population, and in Moscow
and Leningrad by 70 %. Soon after the protests the expanded plenum of the Central
Committee of the CPSU cancelled the supervising role of the CPSU and established a
multi-party system and the post of the president of the USSR. Thus, the CPSU ceased
to be “a directing and supervising force of the Soviet society” and became one of the
actors “in the development of the policy of the Soviet state” as the legal basis of this
supervising role of the CPSU was eliminated.

The population actively participated in the reorganisation of the Soviets. The
slogan “All power to the Soviets!” (Вся власть Советам) in the new historical context
symbolised a transfer of power from the party bodies to the elective councils. Popular
expectation of changes and of fast results was a key feature of the first years of perestroika.
People believed that many formal factors hindering progress could be eliminated
under perestroika, publicity (гласность) and democratisation and, thus, accelerate
the social and economic development of the country. However, there were no quick
achievements even after the abolition of the 6th article of the Constitution regarding
the leading role of the Communist Party that led the political and hierarchical power
into a vacuum (Lindner, 2007, 503). Party committees stopped working, while the new
Soviets were unable to become effective in management. For the first time the members
of the Soviets were elected in the most free and fair elections of the post-soviet time.
But people with different political views, different attitudes to management and poor
knowledge of the administrative system could not all of a sudden become an effective
power. They did not have any experience of collective decision-making, and there was
nobody to teach them (Vishnevsky, 2001, 5).

The developing system of the Soviets’ powers could solve social and economic
problems only if the deputy was the head of a large enterprise or so-called “responsible
officer” (“ответственный работник”). An ordinary deputy could only write a petition
to the executive committee (исполком) or to the heads of an enterprise asking for
help in solving the problem. Thus, deputy status was less significant than an office/
managerial position. In addition, the deputy had to have coordinated his actions with
the members of the executive committee.

The next impulse for the decentralisation at the local level was given by the Law of
the USSR “On the General Principles of Local Self-Government and Local Economy
in the USSR” in April 1990. In this law the Supreme Soviet introduced the term “local
self-government” into the legislation, defined the right of citizens to participate in
the local self-government and to establish the local Soviets as local self-government
bodies, defined the village, settlement, district, city and city district Soviets as a
primary territorial level of the local self-government, guaranteed the independence and electivity of the Soviets, defined (though vaguely) their competence, gave them the right of municipal property disposal, allocated them many budgetary rights, the right to impose local taxes and the profit tax on local enterprises, and gave them the right to participate in foreign trade (Mitrohin, 1999).

Deputies of the Supreme Soviet of the USSR not only introduced the term “local self-government” but also chose the Anglo-Saxon model of local government. The legislation was a considerable step toward decentralisation and democratisation. The division of local government and state authority had begun though their competences were not defined clearly – for instance, regarding competences of the local Soviets (local self-governments) and regional Soviets (state authorities). This contradiction did not allow the municipal property to become an economic basis of local self-government and did not allow the local Soviets to fulfil their obligations to the public.

The first Russian law on the local self-government (“On the Local Self-Government in RSFSR”) was adopted on June 6, 1991, when Russia was a part of the Soviet Union, which is why the law inherited the ideology of the Soviet law though it took a step toward the principle of division of powers and supported the idea of electivity not only of deputies but also of heads of administrations (and abolition of executive committees) at the local level.

In the late perestroika period, the first steps to the essentially new principles of the local self-government were made. But the changes in the institutional framework were not to change the system of power in the country, but rather to reform the existing system. The reorganisation of the Soviets was meant not as a radical change of their structure and gaining independence from the party bodies, but as a necessary step toward the “acceleration of sociopolitical development” of the country, and toward openness and publicity (гласность). The local authority reform was meant not as a large-scale reorganisation of the system on self-government principles, but as creating conditions for “better working” laws. This reform tried to introduce new institutions into an old-fashioned institutional framework. Thus, the local self-management was declared but did not provide organisational, financial or legal bases.

Actually, councils still did not have power and, thus, were helpless. The main reason was the tight budget and tears in the social sphere. On the other hand, voters got the right to elect new councils. And they were elected, and people came to the councils with demands believing that they would get help. [We] are glad [to help you], but we do not have money. If the council does not have funding, it is […] not an authority. Decisions of the rural council were ignored, and their members early in the morning knocked on the enterprises' doors as petitioners. Deputies' interest in the public work faded. Voters' assignments were hampered and not carried out on time. With the transition to the market economy, very few people cared about the councils (Afanas'ev, 1990, 3).

Perestroika also changed vertical relations (both party and authority hierarchies), which led to the independence of the local level. After the selective decentralisation as an experiment in 1987, this process developed in the early 1990s as a clear definition of the local-level competence and a transfer of certain power authority to the local level. The destruction of the party hierarchy started with the redistribution of power between the party and the state and finished in 1990 with the abolition of the 6th article of the Constitution about the leading role of the Communist Party.
The events of August 1991 and strengthening of the presidential power were the final steps in the democratisation and perestroika in Soviet history. Later the Local Soviets survived a deep crisis as their new democratic rights obtained as a result of perestroika did not make them viable under the uncompromising political struggle.
4 INSTITUTIONAL FRAMEWORK

The new institutional framework of the national and partly regional levels was mainly based on the analysis of formal institutions. According to North (1990), they determine “the political system (i.e. the governance structure and individual rights), economic system (i.e. property rights and contracts) and enforcement system (i.e. the judiciary and the police)”.

Transformations in political and economic systems under perestroika required new legislation. The legal reform is a continuous process: the first generation of reforms, mainly in 1991–1993, was superseded by the reforms of the second or even third generation (Trunk, 2000, 36).

The national level is the key level of analysis in this chapter; it creates a legal framework, rules of the game for the local self-government. Institutional analysis considers both existing and absent institutions (Shaffer, 1995). The regional level developed additional formal institutions, albeit within the national institutional framework9.

First, I want to emphasise that not all national/regional institutional changes discussed here are of interest as such, but just in the perspective of how each reform or transformation influenced the system of local self-government and the interrelations of actors within it.

4.1 POLITICAL TRANSFORMATIONS

Although the key point of this study is the reform of the local, municipal level, it is inextricably linked with broader transformations: decentralisation and recentralisation, centre-region relations, the multi-party system, electoral system reform and municipal reform.

4.1.1 From decentralisation to recentralisation

Decentralisation is an institutional form of promoting efficiency, equity and democracy (Lankina, 2007). The decentralisation of the state power implies the delegation of powers and the transfer of a considerable part of them to the regional and local levels. It was built and provided by corresponding political, organisational and expert resources. The decentralisation that took place in the Russian Federation in the course of the economic and political reforms of the 1990s was a spontaneous process that lacked a clearly defined strategy (Andreeva and Golovanova, 2003, 2).

9 However, in the Yeltsin period there was a discrepancy between regional and federal legislations. See below.
On the eve of Putin’s presidency and the first policy lines after elections

In the Yeltsin period, between 1994 and 1998, there was a non-transparent bilateral treaty-making process between the President and regions. By the summer of 1998, 46 out of 89 Subjects of the Russian Federation (including all republics) had negotiated bilateral treaties (Hughes, 2001, 37) that granted the signatories a number of extra-constitutional rights, including the right to develop their own forms of local government.

The weak state and the struggle between centrifugal and centripetal forces and between different administrative levels opened unprecedented possibilities for local decision-making (Lindner, 2007, 503). The “freedom” of local government in Russia’s quasi-federal system differed among regions. On the one hand, in some regions (especially in ethnic republics like Bashkortostan, Sakha, Tatarstan, etc.) the regional elites were able to subjugate local-level bodies with impunity. The local governments were subordinated to the republican administrations, and republican presidents directly appointed heads of municipalities (Ross, 2007). On the other hand, regions like the Republic of Karelia – a border region – developed true local government institutions.

Thus, one could see the dynamic transformation of the institutional landscape across the Russian Federation and the role of regions in determining the trajectory of the development of the political system. As a result, there was uneven geographical development of political institutions, and regional institutional differences. On the eve of Putin’s presidency there were major variations in the structures, functions and powers of local governments across the federation. Indeed, the degree of political and economic asymmetry at the local level was even higher than at the regional level (ibid.).

Policy of new centralism

The vector on centralisation is already put by Putin (NN 9, 2007).

No one chain could drop out the vertical of power. Otherwise it is not a power at all, it is an amorphous load of not united people (NN 9, 2007).

From the first days after the election (in March 2000) Putin started the policy of new centralism (or recentralisation), which enabled the formation of a new effective (from the authority point of view) management system and a concentration of administrative, economic, political and other resources in the hands of the federal centre.

The new centralism policy under Putin’s regime included many steps that together directed the (re)construction of the state. This process went in different directions, but all of them had the same goal. I identify four main directions/steps that are important for understanding the local self-government development in the Russian Federation. The first stage was the “Reconstruction of the Federation”, which included establishing federal districts and the institution of a plenipotentiary for the President, harmonisation of regional legislation in accordance with the federal one, delineation of power between levels (federal, regional, municipal) and enlargement of regions.
Stage 1: Reconstruction of the Federation

Creation of federal districts and the institution of a plenipotentiary for the President

In May 2000, seven federal districts were created\textsuperscript{10}. These districts represented a kind of superstructure above the Subjects of the Russian Federation. In addition, appointed by the President and responsible only before him official – the plenipotentiary\textsuperscript{11} of the President in federal district – has actually risen over elective authorities of regions, including not only over governors of a region, but also over the Presidents of the autonomous republics. In 1990, the duplication of administrative functions between the plenipotentiary and the governor was replaced by domination of the plenipotentiary over the governor. According to Petrov (2006), plenipotentiaries were a way in which the new President could remove power from the old elites, and a way to control both governors and regional governments.

Revision of regional legislation according to the federal one

One of Putin’s first policy initiatives was to “harmonise” regional constitutions, laws and ordinances with federal ones and with the Russian Constitution. According to the deputy Minister of Justice V. Evdokomov (citation from Nagornykh, 2002), the uniform legal space (on the basis of the Russian national security concept) was one of the most important conditions for the united state. The Ministry of Justice counted about 14,000 legislative acts that contradicted the federal legislation, and among them there were regional laws on local government. For example, according to the Ministry of Justice, in 1997 among 68 regional acts on local government only four corresponded to the Constitution (Voronin, 1997, 30). Since November 2000, the juridical authorities have been registering the legislative acts of the Subjects of the Russian Federation. Putin’s “dictatorship of law” put an end to the “negotiated federalism” of the Yeltsin era.

In addition, Putin, in his address to the Federal Assembly (03.04.2001), expressed concerns about the municipal legislation. He noticed that the municipal legislation is “the closest to the everyday life of citizens”, but it is of a “very poor quality”, “overloaded” and “often illogical”. The changes in the municipal legislation were to be made in parallel with the audit of the legislative acts on local governments.

Delineation of power between federal, regional and local level

In June 2001, Putin created a commission chaired by Dmitry Kozak (the deputy head of the Presidential Administration) that had two main tasks: delineation of power between the levels and changes in the federal law on local government. Almost every federal law in which the right of different levels to provide public services to the population was mentioned was analysed in details. The commission suggested amendments to almost 200 federal laws.

The purpose of improving the federal legislation was to create a mechanism of differentiation of powers between federal authorities, authorities of the Subjects of

\textsuperscript{10}By the end of 2014 there were ten federal districts. In 2010, by the Decree of the President of the Russian Federation, North-Caucasus federal district was created by separation from the South-Caucasus federal district. In 2014, the Crimean federal district was founded.

\textsuperscript{11}The Plenipotentiary is a representative of the President with full authority in federal districts.
the Federation and local governments, so that problems would be solved by the level that was capable of doing that most rationally, mainly from the perspective of the availability of public services to citizens, taking into account the interests of people living in the corresponding territories, and also the efficiency of the use of state and municipal financial and other material resources.

The concept “differentiation of powers” consists of four elements: the power of the Russian Federation; the power of the Russian Federation and the Subjects of the Federation; the power of the Subjects of the Federation; and the local government.

The Commission worked out the main principles of delineation of powers between the levels. The last list of powers (concerning local issues) became the basis of local government. Actually, the Commission not only delineated powers, but developed a legislative basis for local self-government in the Russian Federation.

**Enlargement of regions**

According to Damdinov (2005), there was a complex of preconditions for the enlargement of the Subjects of the Russian Federation. First, political reasons for the total centralisation of the country such as the need to preserve the integrity of the country. “It is difficult to run a federation that consists of 89 subjects” (Drobizheva, 2006). “Representatives of the federal authority are interested in integrating regions for they believe that it will facilitate the country’s governance” (Kazantsev, 2004).

The second reason for the regions’ enlargement was juridical. According to Damdinov (2005), the constitutional principle of equality of the Subjects of the Federation was broken\(^{12}\). The third reason was an administrative one: the smaller the number of Subjects of the Federation, the smaller administration the state requires. In addition, there was an opinion that merging regions had socio-economic reasons: strengthening of weak territories, and reducing the number of weak regions. However, it was unclear how the enlargement would influence the standards of living of the populations in the enlarged regions. The most obvious grounds for such “socio-economic reasons” was that after the geographical reform, poverty would become less visible due to the average recalculation at the federal level.

The first enlargement of regions happened in 2003: the Perm region and Komi-Permjatsky autonomous okrug merged into the Perm’ krai. Between 2003 and 2012, the number of Subjects of the Federation declined from 89 to 83\(^{13}\). In the most radical cases the number of regions decreased to 30–45. In 2014, two new Subjects of the Federation appeared: the Republic of Crimea and the city of federal importance Sevastopol.

For the enlargement of regions, the regime needed the organisation of referenda. The results of referenda were surprising: the majority of voters (from 70 % to 97.8 %) supported the enlargement (see table below).

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\(^{12}\) The Russian Empire had 110 provinces with equal status. The Russian Federation has different types of regions (republic, oblast, krai, etc.) and their statuses are not equal. For example, an oblast is formed on a geographical basis, but the republics are formed on an ethnic basis. Oblasts only have a charter, while republics have constitutions and regional languages.

\(^{13}\) On the problems and consequences of these enlargements, see Kynev, 2010a.
Table 3. Results of referenda about association of regions, examples from the years 2003–2007

<table>
<thead>
<tr>
<th>Date of referenda</th>
<th>Regions</th>
<th>Share of voters supporting the association, %</th>
<th>The new region</th>
</tr>
</thead>
<tbody>
<tr>
<td>07.12.2003</td>
<td>Perm’ Oblast’ Komi-Permjaksky AO$^{14}$</td>
<td>83.8  89.8</td>
<td>Permsky Krai</td>
</tr>
<tr>
<td>17.04.2005</td>
<td>Krasnojasky Krai Taimyrsky AO Evenkysky AO</td>
<td>92.4  70.0  79.9</td>
<td>Krasnojarsky Krai</td>
</tr>
<tr>
<td>23.10.2005</td>
<td>Kamchatskaja Oblast’ Korjaksky AO</td>
<td>85.0  89.0</td>
<td>Kamchatsky Krai</td>
</tr>
<tr>
<td>16.04.2006</td>
<td>Irkutskaja Oblast’ Ust-Ordysnky Burjatsky AO</td>
<td>89.8  978</td>
<td>Irkutskaja Oblast’</td>
</tr>
<tr>
<td>11.03.2007</td>
<td>Chitinskja Oblast’ Aginsky Burjatsky AO</td>
<td>90.3  94.0</td>
<td>Zabaikal’sky Krai</td>
</tr>
</tbody>
</table>

Source: Tulsky, 2008

In all five referenda, a lot of social and economic promises were made to get public support. Ethnic elites were against the association of regions, so the process was accompanied by economic and political bargains (see Migalin, 2006). In addition, media campaigns and administrative resources were used too (Kynev, 2010a). As a result, the share of association supporters was high.

In October 2010, the group of deputies of the State Duma introduced a bill that offered to allocate to the Federation Council and the State Duma the initiative on enlargement of the Subjects of the Federation. Previously the federal law had allocated that right exclusively to uniting Subjects. The bill also offered to allow the introduction of the constitutional law on regions’ enlargement before the voting of these Subjects in the referendum. According to Zubarevich (2010), this bill proves a critical degree of verticalisation of power (предельная степень вертикализации).

The decision regarding association cannot be solved without a Subject of the Federation. Nevertheless, they try to make the procedure as vertical as possible because they have already learned how to run the referenda (Zubarevich, 2010).

The bill was not accepted, and the regions still have the right to unite and create new subjects of the Russian Federation. Despite the fact that the right to hold a referendum was left to regions, the state learned to control referenda and to obtain the required results.

The second stage was “Contraction of the Power Vertical. Project 1: Governors” and included intervention of the Federal state in regional affairs and the president’s appointment of governors. This was a return back to “democratic centralism”, introduced in chapter 3.2.1.

$^{14}$ AO – autonomous okrug.
Stage 2: Contraction of the Power Vertical. Project 1: Governors

Federal intervention in the regional level
As early as July 2000, at the very beginning of his presidency, Putin had pushed for legislation granting him the right to dissolve legislative (representative) bodies of the Subjects of the Federation and to dismiss a regional leader. Such a right was granted to the President by amendments to Federal Law 184 (1999) “On Basic Principles of the Legislative (Representative) and Executive Powers of the Government of the Subjects of the Russian Federation”. Amendments to article 9 introduced the possibility of dissolving a legislative (representative) body of the Subject of the Russian Federation. The prescheduled termination of powers of a legislative (representative) bodies needs a decision by the highest official of the Subject of the Russian Federation or the federal law.

Article 19 granted the President the right to dismiss a regional leader in the following cases: as a result of mistrust of the legislative (representative) body of the Subject of the Federation (if he seriously and consistently violates federal laws); due to the loss of trust of the President because of an inadequate execution of duties; due to the verdict of the court that declared the head of the region guilty. These options were actively used against disobedient regional leaders under Putin’s first presidency.

Presidential appointment of governors

The new slogan of the country: All power to the Kremlin

In 2004, Putin abolished the election of governors after the Beslan terror attack. According to the legislation adopted by the State Duma on 11th December 2004, regional assemblies were to approve the President’s nominees. If they refused to confirm the President’s nominee twice, the President had the right to disband the legislature and to appoint an acting regional head to serve until a new legislature is elected. The President also had the right to dismiss any regional head for failure to fulfil his duties or for the “loss of the president’s trust” (Coalson, 2004).

According to the 2005 opinion poll by the Levada-centre (citation from Lysenko, 2005), 46 % of the population did not support the cancellation of elections of governors, and 42 % supported the appointment of heads of the regions; in July 2009, 57 % of Russians supported the return of direct elections of regional governors, while only 20 % opposed it (Levada-centre, 2009). This order of nomination decreased the “quality” of governors in parameters such as honesty, independence and understanding the interests of voters, because the personal fidelity of the “owner” of the region was more important than his professional qualities.

According to Putin, such a reform was necessary “to strengthen the unity of the country and to prevent crises” (Putin, 2004). He referred to article 77 of the Constitution 1993, which called for a unified system of executive power in the Russian Federation. His opponents referred to the Constitution 1993 too, to the articles that were violated.

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by Putin’s decision (see Koroteev, 2004). Liberal groups, constitutional experts and even some Communists denounced the measure as a giant step away from democracy. The critics claimed that the legislation brought Russia back to the Soviet era, when the Kremlin appointed local Communist Party bosses. The critics also believed that it put an end to Russia’s decade-long experiment on decentralisation and undermined the country’s status as a federation (Bransten, 2004).

The next step in the same direction was made in April 2009, and was a substantial increase in the role of political parties. The party with the greatest share in the elections to the legislative (representative) body of the Subject of the Federation acquired the right to nominate candidates for the President’s approval. In the case of disagreements between the centre and the region, the decision was made by the head of the State17. The new procedure for nominating governors came into force on 1st July 2009. The new order of elections of governors was applied for the first time in the same year in 12 Subjects of the Russian Federation. In all these Subjects, the majority in the parliament were members of the “United Russia”.

These minor changes did not transform the system. According to Medvedev, the President of the Russian Federation at that time, “there is no need for changes”. The direct elections of governors “will not take place either now or in the next 100 years”. However, he was mistaken. There were changes eight years after the abolition of governor elections. The direct elections of governors were brought back in June 2012 by the initiative of Medvedev, the former president and the Prime Minister at that time. Medvedev said that people were asking for changes, and he agreed that “it is necessary to give all active citizens a legitimate right and opportunity to participate in the political life” (citation from RIA News, 2012).

Less than half a year later, at the end of 2012, the State Duma adopted a bill that allowed regions to abolish direct elections of heads of the subjects of the Federation and to elect governors by the old system (by the deputies of Legislative Assemblies of Regions on the President’s proposal). The main argument for this was the preservation of “stability and ethnic peace”, primarily in the republics of the Northern Caucasus. According to Grazhdankin (2013), the deputy director of the Levada-Centre, due to the lack of pressure, Russian respondents preferred direct elections to nomination by the President. However, this issue, like all other political problems, was not critical for the majority of the population: people wanted direct elections, but they could manage without them in exchange for any promises.

In 2013, four Republics of the Northern Caucasus (Dagestan, Ingushetia, Northern Ossetia and Karachay-Cherkessia) abolished the direct election of governors. In September 2013, Dagestan and Ingushetia used this system, and new regional leaders were indirectly elected18 for five years. In Northern Ossetia this system was used in September 2015 and in Karachay-Cherkessia in September 2016. In March 2014, Crimea and city of Sevastopol became a new Russian region. The Constitution of the Crimea Republic and the Charter of Sevastopol city imply the indirect election of a regional leader. Such elections took place in autumn 2014. Additional changes were introduced into the federal legislation at the beginning of 2015: in the autonomous

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18 The head of the region was elected not by people directly, but by elected representatives.
districts (okrugs), which are part of the region, indirect elections are to be applied. In the Khanty-Mansi and Yamalo-Nenets autonomous okrugs, indirect elections took place in autumn 2015; in the Nenets autonomous okrug they will take place in 2019.

*De jure* there was a possibility of the direct election of governors in the Russian Federation, but *de facto*, there were a lot of exceptions (amendments to federal and regional laws), which cancelled democratic practices as a “managed democracy” was developing.

The third stage was “Contraction of the Power Vertical. Project 2: Party and Election Systems”, which consisted of creating a party of power, permanent changes in the electoral legislation and establishing an electoral vertical.

**Stage 3: Contraction of the Power Vertical. Project 2: Party and Election Systems**

**Political project of “party of power”**


The amendments to the above-mentioned laws in 2003–2005 toughened the requirements for the political parties. In the elections to the State Duma of 2007, the proportional system was used. At the same time, the requirements for political parties became tougher. The threshold to get into the Duma was raised from 5 % to 7 %, the registration minimum for party members was increased to 50,000 people and electoral blocs were prohibited.

These restrictions reduced the chances of political parties getting into the State Duma. After the election of 2007, only four parties managed to form the Duma: United Russia (315 seats, 70 %), the KPRF (57 seats, 12.67 %), the LDPR (40 seats, 8.89 %) and Just Russia (38 seats, 8.44 %). Many experts at that time believed that most of those changes secured United Russia’s dominance in the Fifth State Duma. After 2nd December 2007, the Russian political system became a “one and a half party” system, i.e. with a dominant party of the majority of the population and a minor opposition with no real political leverage (Alyoshina, 2007).

The appointment of governors accelerated the creation of the party of power. It was a question of the governors joining United Russia. In 2003, over 30 governors headed the regional lists of United Russia at the elections in the State Duma. In 2005, more than 50 governors were members of the party of power (Lysenko, 2005). “Become the governor – enter United Russia!” (VCIOM, 2009). Hence, the appointment of governors was a threat to the democratic system, pluralism and multi-party system in Russia.

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19 The United Russia party was created on the basis of several pro-presidential parliament fractions in the State Duma (the Unity, the Fatherland – All Russia, the group “Russian regions”) and their regional structures headed by the Unity. See more about the party of power in Rjabov (2005) and Gelman (2006).

20 Data from the official site of the State Duma, http://www.duma.gov.ru/
In 2006, United Russia set a very ambitious goal: to dominate in the political system of Russia “for a minimum of 10–15 years”. According to Gelman (2006), such a goal was remarkable not only for the expansion of the time horizon in the political planning of the Russian authorities, but also as a sign that “the party of power” could become the basic mechanism ensuring the continuity of the Russian political regime.

From July 2009, the parties acquired the right to nominate candidates for the President’s approval. As United Russia had the majority in most regional parliaments, this party had “the first voice” in nominating governors. Gryzlov, the chairman of the High Council of the party and of the State Duma, declared that United Russia “in some regions will support the acting governors, in some regions will insist on their replacement” (ibid.). In 2009, six governors were renominated and nine governors were changed. In 2010, this process increased speed: in five months nine governors were renominated and ten were changed. Almost simultaneously, large-scale replacements of governors automatically launched inevitable local personnel revolutions (Kynev, 2010b).

United Russia also increased its influence at the municipal level. According to the secretary of the Central Electoral Committee of the Republic of Karelia, the political parties had little interest in the municipal elections in 2005; only United Russia was more or less active: out of 64 party candidates, 58 represented United Russia.

Another example is Petrozavodsk city council. In June 2009, as a result of the political shift, 32 members of four other parties entered United Russia in the city council. As a result, the fraction of United Russia representatives increased to 48 out of 60 members of the council. Such examples of the domination of United Russia at both regional and municipal levels can be found in other regions too. So, instead of creating a multi-party system, the drift toward a one-party system became more obvious.

During the electoral campaigns United Russia used the so-called “administrative resource”, harassment, pressure and media bias for cutting off inconvenient candidates, and also refusal to register self-nominated candidates and representatives of opposition parties. These methods, together with formal changes in the party and election legislation, led to the majority of the party of power at all levels in many regions. For example, in the elections of autumn 2010, the Just Cause, Patriots of Russia and Yabloko got only a few hundred municipal mandates. Scandals around both regional and municipal elections took place every spring and autumn (see Kynev (2010c); Petrov et al. (2010); Sharyi and Petrov (2010)). According to Petrov et al. (2010), the last elections were “honest but unfair” (честные, но несправедливые) and United Russia “lost its face”.

A new step in reforming the party system was taken in December 2011 after mass protests in Moscow. The scale of the protests, the diversity of its participants, their ability to coordinate different political associations and the politicised demands of protesters were a serious challenge for the ruling elite and made it reconsider once more the Federal Law “On Political Parties” in April 2012. The law simplified the procedure of creating and registering political parties. The changes in the law had provided the non-parliamentary opposition with opportunities for party building and mobilisation of social and electoral support, and for the population – a wider range of political programmes and new leaders (Maksimov, 2012). Within half a year of the adoption of the amendments the number of political parties increased from seven to 49; 42 new parties were founded in 2012, 19 parties in 2013, and this process continued...
There were expectations of ambitious parties and social movements that would ensure a serious restructuring of social interests, political views and preferences at federal and regional levels. However, there are still no strong, competitive parties on the political scene (Kozyreva and Smirnov, 2014).

Under the weakening United Russia, a multi-party system led to the fragmentation of the opposition, erosion of the electorate and even a decrease in votes for United Russia, though this party preserved its status as the ruling party.

**Pendulum of the election legislation**

In 2007, the election legislation became tougher: election to the State Duma was based on the proportional system, the threshold to get into the Duma was raised, the minimum number of party members for registration was increased and electoral blocs were prohibited. Two years later, the election pendulum swung again. In May–June 2009, the President Dmitry Medvedev signed several documents on the election system.

The first one was the law that established additions to the threshold for getting into the State Duma. A federal list of the candidates that received from 6 % to 7 % of the votes had two deputy mandates. A list with 5 % to 6 % had one deputy mandate. The political party with the federal list of candidates was granted the right to register candidates for elections at different levels without collecting signatures. In 2011, during the Duma election, no party got between 5 % and 7 % of the votes.

The second legislative act was the law on stage-by-stage reduction of the quantity of signatures collected for getting on the federal lists for the elections to the State Duma. According to the law, in 2011 the party should have collected not less than 150,000 signatures. At the next elections it was enough to have 120,000 signatures.

The number of signatures required to participate in the elections to the State Duma according to both the 6th and following convocations for a Subject of the Federation was dropped to 5,000 signatures. “Five thousand signatures in the region instead of 10,000 is a more realistic task for some parties, especially for a new party. At the same time, new norms can become an incentive stimulus for more active participation of all regional branches, and for a new party it is an incentive to work at the all-Russian scale from the very beginning,” the chairman of the State Duma Boris Gryzlov said. The law freed from the collection of signatures not only the parties with fractions in the State Duma, but also parties with seats in a third of the regional parliaments. In October 2011, President Dmitry Medvedev returned a 5 % threshold for the Duma seats. According to the President, such a measure “helps to ensure that the whole political spectrum is presented in the Parliament” (Savina, 2011). However, this did not fundamentally change the Russian parliament. Table 4 shows the results of the Duma elections in 2007 and 2011. Just four parties instead of the whole political spectrum overcame the threshold.

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21 In March 2016, there were 77 political parties. See the list of registered political parties on the official site of the Ministry of Justice of the Russian Federation, http://minjust.ru/nko/gosreg/partii/spisok


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(see the official website of the Ministry of Justice of the Russian Federation)
Table 4. Results of Duma elections, 2007 and 2011, %

<table>
<thead>
<tr>
<th>Parties and coalitions</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Russia</td>
<td>64.30</td>
<td>49.32</td>
</tr>
<tr>
<td>Communist Party of the Russian Federation</td>
<td>11.57</td>
<td>19.19</td>
</tr>
<tr>
<td>Liberal Democratic Party of Russia</td>
<td>8.14</td>
<td>11.67</td>
</tr>
<tr>
<td>Just Russia</td>
<td>7.74</td>
<td>13.24</td>
</tr>
<tr>
<td>Agrarian Party of Russia</td>
<td>2.30</td>
<td>11.67</td>
</tr>
<tr>
<td>Russian Democratic Party “Yabloko”</td>
<td>1.59</td>
<td>3.43</td>
</tr>
<tr>
<td>Civilian Force</td>
<td>1.05</td>
<td></td>
</tr>
<tr>
<td>Union of Rightist Forces</td>
<td>0.96</td>
<td>0.97</td>
</tr>
<tr>
<td>Patriots of Russia</td>
<td>0.89</td>
<td>0.97</td>
</tr>
<tr>
<td>Party of Social Justice</td>
<td>0.22</td>
<td></td>
</tr>
<tr>
<td>Democratic Party of Russia</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>Just Cause</td>
<td>0.60</td>
<td>1.57</td>
</tr>
<tr>
<td>Invalid ballot papers</td>
<td>1.09</td>
<td>1.57</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Ljubarev et al. (2008), Act of the Central Election Committee (2011)

Thus, the amendments to the election system were superficial and did not change the basic mechanisms of the manipulated system (Saari and Pynnöniemi, 2010).

**Electoral vertical**

**At the federal level**

As one of the major goals of the political reform offered by Putin was an increasing role of the political parties in Russia, at the federal level this led to the formation of the purely “party” State Duma and to the transition from a mixed electoral system to a proportional one.

**At the regional level**

There was a transition to the elections of regional deputies as a majoritarian-proportional principle. Between July 2003 and June 2005 in 32 Subjects of the Russian Federation elections were held according to the mixed electoral system as half of the deputies of the regional Legislative Assembly or one of its chambers were elected through the proportional system according to the Federal Law “On Basic Guarantees of Electoral Rights and the Rights of Citizens of the Russian Federation to Participate in the Elections”.

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23 A majoritarian electoral system assumes that the candidate who receives most votes wins. The majority can be absolute (if a candidate received more than half of the votes) or relative (if one candidate received more votes than the other). The disadvantage of this system is that it reduces the chances of small parties being represented in the government.

A proportional electoral system assumes that voters vote for the party lists. After the elections, each party receives a number of seats proportional to the share of its votes. For example, 25% of votes gives a quarter of seats. In the parliamentary elections there is usually a threshold and parties have to overcome it to have parliamentary candidates. As a result, small parties that do not have broad social support do not get seats.

A mixed electoral system is a combination of majoritarian and proportional systems; for example, one part of the parliament is elected by the majoritarian system, and the other by the proportional. A voter receives two ballots and gives one vote to the party list, and the second to a particular candidate, who is elected on the majoritarian basis.
in a Referendum”. From 2006, the election of not less than half the parliament by the party list became obligatory for regional elections. The last region (Kemerovskaja oblast’) adopted the mixed system in October 2008.

In 2003, the reform introduced the mixed system, while in the following years the proportional system was adopted. According to the chairman of the Central Election Commission, Veshnjakov, the proportional system determined the active work of parties in the regions. At the beginning of the reform, there were opportunities to choose; now the choice is limited to four parties of the federal parliament (United Russia, the Communist Party of the Russian Federation, the LDPR and Just Russia). Taking into account the strict rules of regional elections, the threshold increase up to 7 %, the constant growth of election pledges and the extremely difficult registration through the collection of petitions, it is no wonder that only parties of the State Duma took part in regional elections. In 2003, there was political diversity: 44 federal parties and a chance for regional pre-election blocs. But later (and until spring 2009) both party and election legislation toughened, which led to the reduction of possibilities for the political competition and regional political models.

The creation of electoral vertical continued. While the state authorities, on the one hand, stimulated the transition from a mixed to a proportional system at the regional level, at the same time they introduced a mixed system (with elements of a proportional system) at the municipal level (see Project 3: municipal level).

The fourth stage was “Contraction of the Power Vertical. Project 3: Municipal level”, which continued the creation of an electoral vertical at the municipal level, attempts at direct appointment of mayors, merging of municipalities and elimination of local governments at the municipal districts’ centres.

Stage 4. Contraction of the Power Vertical. Project 3: Municipal level

Inclusion of municipal level in the electoral vertical

From the mid 1990s the Krasnoyarsk region was the only one with the mixed system of electing representative bodies of the local government in a number of cities. In the elections of 2000–2001 seven cities out of 16 with the mixed system rejected it, and the elections were organised by the majoritarian principle system. After 2004, the party lists at the municipal elections started to extend. At the beginning of 2006, in 53 municipalities of eight Subjects of the Russian Federation the mixed system was used. The proportional system was introduced too at the municipal level in Dagestan, Pskov, Volgograd and Tula.

During the autumn 2008 election campaign, the State Duma introduced a bill on the obligatory mixed electoral system at the municipal elections, which actually affected the activity of local governments. In October 2008, United Russia had a similar but less radical initiative: it recommended all regional and local branches of the party to introduce the mixed election system for the administrative centres of the Russian regions. Neither bill was accepted because under the social and economic crisis there were fears that the transition to the new system would negatively affect the positions of the party of power.

In May 2009, the head of the LDPR fraction in the State Duma, Igor Lebedev, proposed a transition to elections by party lists at the municipal level (to return to the above-mentioned bills). President Medvedev (citation from Veretennikova, 2009) answered that the municipalities were not a part of the state authorities. “It should
not be so rigidly regulated. However, of course, certain principles should be followed there... I think we will return to this question sooner or later, maybe, in the format of recommendations. But once again I underline that it is business of the Subjects of the Federation and municipal districts.” Nevertheless, the expansion of a mixed or completely proportional system at the municipal elections in regions was obvious. Thus, according to many experts, the proportional system at the local level became absurd because not only in villages, but even in small and medium-sized towns, there were no party organisations.

The federal centre used another mechanism to increase the parties’ role in the political process in Russia. President Medvedev in his address to the Parliament spoke of the need to increase the role of non-party organisations at local elections. The head of the state declared, in November 2008, that it was necessary for representative bodies to be elected with the active participation of both political and non-political associations of local residents – remedial, voluntary, charitable and educational. According to the President, social activists were poorly represented in the local representative bodies, though they had the right to make their own lists of candidates for the elections.

According to Federal Law (05.04.09) FL-42 “On Modification of articles 25 and 26 of the Federal Law ‘On Political Parties’ and the Federal Law ‘On Basic Guarantees of Electoral Rights and the Rights of Citizens of the Russian Federation to Participate in a Referendum’”, social activists willing to nominate candidates for local elections should make an agreement with a party and sign the preliminary contract on joint participation in the elections. The quota of social activists in the party list was not to exceed 15% of the total number of candidates. The procedure for making an agreement between a political party and other public associations about a joint list of candidates was also prescribed.

On November 30, 2010, President Medvedev, in his annual address to the Federal Assembly, returned to the above-mentioned bills. He pointed out that

 …at the level of the local government, additional steps are required. The local government is the major element of any democratic state. Unfortunately, the majority of political parties are not active at the municipalities’ level; that is why at the local level not all parties fulfil the functions of all-Russian political organisations. I suggest an obligatory proportional or mixed system for the elections of representative bodies in city districts and municipal areas with not less than 20 deputies. The political competition at the local level will promote trust in the party system and increase the responsibility of parties to voters. It is necessary to make parties closer to the everyday life of our citizens. It is one more step toward strengthening the democratic power, the main task of which is a secure life for our people. Thus, the elections to the State Duma in December of next year will take place within the political system updated at all levels (Medvedev, 2010).

Thus, this annual message to the Federal Assembly included the municipal level in the electoral vertical. The voting by party lists at the municipal level led to a lack of competition, because in Russia there were no political parties at the municipal level (with rare exceptions). According to Sharyi and Petrov (2010), local elections by party lists were a profanation. In addition, the introduction of party lists in rural municipal districts led to infringement of the right of the overwhelming majority of non-party citizens to be elected. Membership in the party turned from a right into a duty for all those who wanted to be a part of the local government and participate in the elections.
An attempt at the direct appointment of mayors

After the long story about appointing governors, there was a story about appointing mayors. There were several attempts to appoint mayors of big cities, centres of the Subjects of the Russian Federation. This initiative corresponded to the logic of the power vertical. In spring 2006, a proposed bill would allow governors to deprive mayors of the majority of their powers and to control regional capitals. The bill was rejected. In October 2006, this idea appeared again. Deputies of the State Duma introduced changes to the Law “On the General Principles of Local Self-Government in the Russian Federation”.

The bill consisted of two parts. The first continued the tendency of the “spring” project: the Subjects of the Russian Federation could set a list of local issues for municipalities (regions could take some under their own responsibility, including funding). The second part allowed the regional capitals to have local government at the city level or at the level of city districts. The choice between these two options was a prerogative of the Subject of the Russian Federation. If the bill had been accepted these changes would have allowed regional capitals to be taken out of the local self-government system. In this case local self-government will be organised at the city district level. This would mean the elimination of elections of mayors for the regional capitals. Critics argue that the elimination of mayoral elections could also require changes to the Constitution (article 32, paragraph 2, article 130, paragraph 2, article 131, paragraph 1). The appointment of mayors would also violate the “European Charter of Local Self-Government”, which Russia ratified in 1998. The bill was not introduced to the State Duma for fear of the negative reaction of the society.

Under the abolition of governors’ elections and the introduction of a proportional system of elections to the State Duma, the mayor became the most important elected position. The mayors were deprived of direct legitimacy from the voters, which reduced their political influence (Kynev, 2010e). Thus, the state was interested in a law that would reduce the influence of the local levels on the political system of the country, and would help to finish the construction of the power vertical till the end. This mechanism of intervention was a powerful blow to the municipal autonomy.

The policy of associating municipalities

After the enlargement of regions the policy of enlargement of municipalities followed. The federal Ministries of Finance and Regional Development supported the enlargement of municipalities. This proposition was made by the Council on Local Government in the State Duma on July 3, 2008. The Council considered the issues of financing the municipalities, and association was said to be a possible solution for improving the financial stability of municipalities. Among the recommendations for federal and regional authorities, a congress of municipalities and other municipal associations, nothing was said about association (see the list of recommendations on the official website of the State Duma)24. Though association was not among the official recommendations, many regional leaders perceived it as a call to action. In 2008–2009, referenda about the enlargement of municipalities took place in many regions. The perception of this process differed among regional leaders, politicians and the population. The governor of the Ivanovo region considered this process an anti-crisis measure: “In 2009, there will be five out of 11 municipalities in the

Zavolzhky district of the Ivanovo region. This association will lead to a reduction in the number of municipal officials and of budgetary expenses for their maintenance” (Men’, 2009).

There a vector on centralisation is already set. Therefore, there is no way to avoid association (NN 1, 2009).

The main positive aspect of it was the reduction of the staff and a consequent saving of financial resources and using them for social needs. In the framework of existing legislation, it was not complicated to enlarge municipal districts. The decision to associate some rural or city districts was made by municipal parliaments without any participation of the local population. The association of settlements was more difficult and needed a referendum.

In Karelia, the enlargement of municipalities took place at the beginning of the reform in 2005, so the number of villages in some of them increased greatly. For example, the Essoila rural municipality (Republic of Karelia) includes 25 villages (before the enlargement there were 16 villages); the Vedlozero rural municipality consists of 35 villages (before the enlargement there were nine villages). Some rural municipalities did not change. The Matrosy rural municipality did not change borders and had only one village. The Eveno-Bytantaisky ulus (district) of the Sakha Republic (Yakutia) with a dispersed population and long distances between villages had three rural municipalities with only one village in each. In this municipal district, the issue of enlargement was not relevant. In the Nizhny Novgorod region the association of municipalities took place in 2009. At the beginning of 2009 there were 662 municipalities including four city districts, 48 municipal districts and 610 settlements. In 2009, there were referenda in 47 districts of the region. On the basis of the “free will” of the inhabitants the decisions on enlargement of municipalities were made. After the laws adopted on 27th August 2009 came into force, the Nizhny Novgorod region consisted of 459 municipalities. Thus, the total number of municipalities was reduced by more than 30 per cent. According to the chairman of the Legislative Assembly of the region, Victor Lunin, “such decisions can be accepted only on the basis of the free will of citizens. The authorities can only offer, initiate these processes. The final decision is to be taken by the inhabitants” (citation from Number of municipal..., 2009). Another opinion at the local level:

- By this law [FL-131, 2003] the rural administrations are associated. Now we have 12 administrations in the district, only 6 will remain. They [the authorities – IK] want people to come with the initiative as if they want the enlargement and a referendum. Why is it necessary for people, if they have to go to the other side of the district to get to the rural Soviet. The democracy is overturned.
- But people will not vote for it!
- They [the authorities – IK] will force them. There will be enlargement to reduce the budget and management staff. But the thing is that it will become worse for people (NN5, 2009).

The attempts to associate economically developed rural settlements in one municipality could lead to negative results. According to the municipal employees, such an association “will inevitably lead to the extinction of small villages” (NN1, 2009).
The local referenda took place in the Nizhny Novgorod region in 2009. And as in the case of the enlargement of regions, these referenda had the same high shares of supporters. In the Semenov district, the level of support was about 75%–95%. The number of municipalities in this rural district was reduced by half.

The enlargements were not the last step in the transformation of the territorial basis of governance. There was also another tendency: the transformation of municipal districts with their urban and rural settlements into a city district. This process had already taken place in some regions in 2007–2008 (Sverdlov, Sakhalin, Kaliningrad and Moscow regions). The Nizhny Novgorod region started this process in 2010, when two municipal districts held a referendum on the transformation of municipal districts into a city district. In the Semenov district the referendum took place in November 2010. The new municipality, “the Semenov city district”, absorbed 12 municipalities: the town of Semenov and 12 rural municipalities. The referenda of 2010 had the same amazing results: 85.6% of the rural population and 89.94% of the population of the town of Semenov supported the idea of one city district.

According to the Minister of Domestic Policy of the Nizhny Novgorod region, Shurov (citation from The majority of voters..., 2010), in the next one and a half to two years the transformation of municipal districts into city districts in the Nizhny Novgorod region would take place in almost all districts. It was not obligatory, but city districts allowed administrative structures to be optimised and duplicating functions to be got rid of.

The association of rural and urban settlements into one city district violated the right of rural populations to self-government. The city district destroyed the two-level system of local self-government, and the lower level of local self-government (rural municipalities) was abolished together with the elections of heads and deputies of rural municipalities. The heads of village administrations were to be nominated as in the Soviet period. Thus, we can see the (re)creation of a one-level system of local self-government in the countryside, i.e. the refusal to execute the offers of the FL-131 (2003).

There were many arguments in support of city districts in the territories of municipal districts. Among them was the reduction of staff, the united budget and a clear power vertical (see the picture below).

The first and the most important [argument] is financial. Now we have 14 budgets. These are 12 budgets of rural settlements, the regional budget and the budget of the town of Semenov. There will be a uniform budget. Now there are 181 deputies, including 20 deputies of the Local Duma, 15 deputies of the town of Semenov Duma and 146 deputies of rural settlements. People are confused, they don’t know whom to address. The clear structure of management, a clear power vertical will be constructed (Noskov, 2010).
Thus, by introducing city districts in rural territories the countryside lost its right to local self-government. Rural settlements were left without elected heads and deputies. To get involved in the political life the rural residents had to be members of political parties as the proportional electoral system was introduced.

**Control over regional and municipal leaders**

In June 2007, President Putin signed the regulation “On Evaluating the Efficiency of Executive Authorities of the Subjects of the Russian Federation”. This document had lists of indicators for evaluating efficiency with 43 main indicators at the regional level. Among them: the gross regional product, investment volume, level of unemployment, life expectancy, satisfaction of the population with the medical and educational services, share of people with a school diploma, the time period between sending an application for allocation of land for construction and getting permission for said construction, expenses of the consolidated budget of the Subject of the Russian Federation on agriculture (per one rouble of agricultural production), etc. One month later, in July 2007, an additional 39 indicators were introduced. The President of the Russian Federation played the key role in evaluating the efficiency of regional authorities. Such a huge list of indicators was enough “to force to the knees” any regional leader. For example, in some cases it was not possible to achieve the needed indicators due to insufficient financing by the centre.

*The system of reports is not yet in demand by the authorities. There was no necessity and no problems with resignations (of governors – I.K.). The reports can be put into use as required. This or that indicator can be used as the most significant in any region (Samarina, 2008).*

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25See the website of the President of the Russian Federation: http://www.kremlin.ru/
Therefore, the President obtained one more mechanism to control and dismiss regional leaders.

Later, in April 2008, the same type of document was signed by the President for the municipal level (“On Evaluating the Efficiency of the local self-government in city districts and municipal districts”). The regulation of 2008 for the municipal level differed from the previous one. It included fewer indicators (only 30). According to some experts, the indicators were better defined. Nevertheless, some regional leaders made an additional list of indicators. For example, according to the Decree of the Head of the Republic of Karelia, the state committee on local government development established a list of additional indicators of the efficiency of local governments concerning the organisation of gathering, transportation, recycling and processing of households and industrial wastes, gardening of the territory, illumination of streets, etc.

The regulation came into force in 2008 and the first report was to be made in May 2009. Some regions started to use this system much earlier. The Sakha Republic (Yakutia) had been using this system since 2006, Karelia since 2007. According to Mikhail Annenkov, the head of the State Committee on the local government development, in the regulation of 2008 the indicators basically depended on the activities of local authorities and characterised the quality of life of the population, the introduction of new methods and principles of management (The inquiry on the Decree, 2008). Compared to the regulation of 2007 (for the regional level), this one introduced the obligatory publication of reports on the Internet to expand the openness of local authorities. The authors of the regulation hoped that the analysis of the efficiency of municipalities would reveal the spheres demanding the prior attention of regional and local authorities, and the formation of a complex of actions for improving the quality of local government activities.

The reports were available on the Internet. For example, on the official site of the Republic of Karelia there were reports from the heads of municipal districts. Although there was a list of indicators, the structure of the reports and their content were different. Not all indicators were present in all reports; some reports were just a collection of tables with statistical data, while others looked more like analytical documents. The reports were not comparable, so it was very difficult to evaluate the efficiency of local government activities.

Another feature of this regulation was that it did not define the competence for decision-making based on reports. If in the regional regulation the President was named (as a sword of Damocles for the governors), in the municipal regulation nobody was mentioned. According to the logic of the power vertical, the governors could have such rights over municipal leaders.

**How to dismiss disobedient mayors**

After the introduction of the appointment of governors, heads of municipalities remained the only elected representatives of the executive power, and, thus, they were not a part of the vertical of power. The federal centre tried to find different ways to get rid of disobedient officials. There were already some ways, such as dismissal on the basis of annual reports, because of municipal depts, due to the criminal case against mayors. Examples of such cases were in Ryazan’, Arkhangelsk, Vogograd, Vladivostok and other cities (see more in Davydov 2008a, Davydov 2008b). As a rule, mayors were not sent to prison. There were some precedents, but the main objective of the criminal case was to get a “chair” for another person (Mulin, 2007).
Instead of puzzling over the transition from electivity to nomination of mayors without breaking the international norms and local government principles, the Kremlin simply concentrated on developing the mechanism of “pulling down” undesirable city mayors. It is not important how the mayor comes to power; it is important how he leaves it. This question was perfectly solved by the former President (Serenko, 2008).

The Kremlin continued to search for other “legal” ways to nominate and control the heads of local self-governments. One more “legal” way was introduced by the amendments of 2008 to the FL-67 (2002) “On Basic Guarantees of Electoral Rights and the Rights of Citizens of the Russian Federation to Participate in a Referendum”. The amendment allowed the prolongation or reduction of terms of appointment of local governments (only for a year) in order to combine the voting days. This amendment was used to solve the problems with the mayor of Petrozavodsk in the Republic of Karelia (to dismiss him). The offer was to transfer the elections planned for 2010 to 2009. Together with the mayor of Petrozavodsk the heads of six municipal districts, two towns, one rural settlement in the Republic of Karelia and representative bodies of four municipal districts ceased their powers.

The next way (a constitutional one) was found in FL-131 (2003). According to the law, there were two ways to form municipal executive authorities (see Figure 4). The head of a municipality could be elected by the population or by the representative body from its members. In direct elections the head of a municipality was a member of the representative body and its chairman, or a head of the local administration. In indirect elections the head of a municipality was a member and a chairman of the representative body, i.e. a nominative position.

The second way, according to the Kremlin, was preferable and was to be introduced all around the country so as to supervise the hired managers. The competitive commissions that selected candidates had to include a third of the representatives of the Subjects of the Russian Federation 26.

Figure 4. Election of the head of a municipality.

26 There were debates on the need to increase the share up to 50 %.

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**Figure 4. Election of the head of a municipality.**
After the Kremlin had made a choice, the next stage was to convince the municipal society to accept the “correct” model. According to the federal law, the deputies of city and village councils were free to choose the scheme for forming the executive power according to the charter of the municipality. The role of the propagandist of the selected model was ascribed to the Ministry of Regional Development. The Ministry recommended the second model: indirect elections and a nominative city manager. From 2005, the second model was introduced in the charters of municipalities. Among the first regions were Kaluga, Kurgan, Penza and Omsk. However, there were protests against such changes (for example, in two districts of Dagestan at the beginning of 2005, in Astrakhan’).

But such protests were rare because many mayors that had resisted the plans to cancel direct elections had already come to the conclusion that it was not possible to fight the vertical, and had agreed to accept the new scheme for forming the municipal authorities.

With the money left to the local government by the federal and regional authorities, there is no reason to be a mayor for being ashamed to look into the people’s eyes. Let them be appointed and responsible for all. With these copecks, which are called the budget, these hired managers will be considered (citation in Gorodetskaja, 2005).

There are different attitudes among the municipal society to the city manager. Among the positive sides the people mention the following:

- A professional manager with the basic skills of conducting economic affairs and capable of managing the budget is appointed to be a city manager. The candidate is to have a higher education, preferably in economics, finance or jurisprudence. He has to have some work experience and experience in successful anti-crisis management. He has to develop his own programme for the municipal development.
- A city manager is not a political figure, just an administrative person dealing with economic issues and not “playing political games”. He is able to establish “working relations” with all levels of the authorities.
- The contract puts a city manager in the direct dependence of the head of the municipality. The latter can at any moment terminate the contract with an unskillful (or objectionable) manager.

These so-called “advantages” had some issues. A city manager had to be a non-political person, but in reality the situation was different as behind the politics there are always economic interests. It was clear that the power was in the hands of those who controlled the financial resources. Additionally, the introduction of the city manager’s post led to the degradation of the power of the elected head of the municipality (no resources – no power). Some experts considered the introduction of the city manager’s post evidence of building the municipal level into the power vertical, because the influence of the regional state authorities on the nomination of candidates was tremendous. The city manager could be dismissed by the elected head, and, according to the legislation, the elected head could be fired by the local deputies (amendments to FL-131 on 24th May 2009).

The above-mentioned association of municipalities could be used as another “legal” way to dismiss the head of a municipality. The general state policy of the recentralisation and integration of municipalities had not only economic but also
political reasons. Among such reasons was the extension of the power vertical to the municipal level, better/easier management and control, and a political mechanism against disobedient municipal leaders.

The regional authorities could not dismiss the elected heads of municipalities. They could only make a recommendation to leave the post “of their own accord”, as occurred in the Samara region in 2008 (Burdjuk, 2008). Four such recommendations were made. The result was amazing: three out of four heads left their post “of their own accord”. For a disobedient municipal leader who refused a recommendation, the regional authorities found another “legal” way to dismiss them – an association of municipal districts. If a municipal parliament accepted the enlargement, the date for the new elections was to be set. The heads and deputies of both united districts retired. This case became a litmus paper for other heads to estimate their chances to resist the desire of the regional authorities to extend the vertical of power to the municipal level. However, many politicians suggested that a disobedient head could be punished in any case. Thus, the questions about local autonomy and local democracy sounded increasingly weak.

**Elimination of administrations of municipal districts’ centres**

In November 2010, Dmitry Medvedev signed law FL-315 “On Modification of the Federal Law ‘On the General Principles of the Local Government in the Russian Federation’”, which allowed administrations of municipal districts’ centres to be eliminated. According to the law, amendments could be introduced to the charters of municipal districts and their administrative centre. Such changes allowed the administration of a municipal district to have the powers over the administration of the district’s centre. In the competitive commission that was selecting the heads of the “united administration”, a third of the members were appointed by the representative body of the municipal district, another third by the representative body of the district centre and the last third by the regional parliament. Thus, there was a legislative possibility of eliminating independent heads of settlements (districts’ centres were usually the largest settlements in the district). It reminds one of an old dream of the regional authorities to control the administrations of regional centres through the lower level. According to Kynev (2010d), “a pipe is lower; smoke is thinner”.

The reform started from the upper level – the creation of federal districts – and step by step came the municipal level. The reconstruction of the “vertical of power” and inclusion of the municipal level in it was one of the main results of Putin-Medvedev’s reforms. The bureaucratic attempts to simplify the system reached the very bottom of the vertical – the local self-government. Many Russian politicians believe that the construction of the vertical was complete.
Table 5. The main steps of political transformation and its influence on the local self-government

<table>
<thead>
<tr>
<th>Year</th>
<th>Political initiative</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recontruction of the Federation</td>
<td></td>
</tr>
<tr>
<td>1st stage</td>
<td>Year</td>
<td>Political initiative</td>
</tr>
<tr>
<td>2000</td>
<td>Creation of federal districts</td>
<td>Control over the regional level, first steps toward recentralisation</td>
</tr>
<tr>
<td>2000</td>
<td>Creation of the institution of plenipotentiary of the President</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Revision of regional legislation according to the federal legislation</td>
<td>The end of the “negotiated federalism” of the Yeltsin era</td>
</tr>
<tr>
<td>2001</td>
<td>Delineation of power between federal, regional and local levels</td>
<td>More clear delineation of powers between the levels, reduction of resources at the local level, developing local government laws</td>
</tr>
<tr>
<td>2003</td>
<td>Enlargement of regions</td>
<td>Reduction of number of regions from 89 to 83</td>
</tr>
<tr>
<td>2nd stage</td>
<td>Year</td>
<td>Construction of the power vertical. Project 1: Governors</td>
</tr>
<tr>
<td>2000</td>
<td>Federal intervention at the regional level</td>
<td>Possibility of dismissing regional leaders and regional legislative (representative) body of the Subject of the Russian Federation</td>
</tr>
<tr>
<td>2004</td>
<td>Presidential appointment of governors</td>
<td>End of decentralisation era</td>
</tr>
<tr>
<td>3rd stage</td>
<td>Year</td>
<td>Construction of the power vertical. Project 2: Party and election systems</td>
</tr>
<tr>
<td>2008</td>
<td>The political project of creating the “party of power”</td>
<td>Drift toward a one-party system</td>
</tr>
<tr>
<td>2007– 2010</td>
<td>Year</td>
<td>Pendulum of the election legislation</td>
</tr>
<tr>
<td>2007– 2010</td>
<td>Electoral vertical at the federal and regional levels</td>
<td></td>
</tr>
<tr>
<td>4th stage</td>
<td>Year</td>
<td>Construction of the power vertical. Project 3: Municipal level</td>
</tr>
<tr>
<td>2010</td>
<td>Electoral vertical at the municipal level</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Attempt at direct appointment of mayors</td>
<td>Attempts to remove regional capitals from the system of local government</td>
</tr>
<tr>
<td>2007– 2009</td>
<td>Policy of enlarging municipalities</td>
<td>Extension of the vertical of power to the municipal level, the growth of centralisation</td>
</tr>
<tr>
<td>2007– 2008</td>
<td>Control over regional and municipal leaders</td>
<td>New ways to control the regional level by the federal authorities and the municipal level by the regional authorities (extension of the vertical of power)</td>
</tr>
<tr>
<td>2005– 2009</td>
<td>Ways to dismiss disobedient mayors</td>
<td>Successful search for new “legal” ways to dismiss municipal leaders, expansion of practice to abolish direct elections</td>
</tr>
<tr>
<td>2010</td>
<td>Elimination of local government in municipal districts’ centres</td>
<td>Abolishment of local self-government in district centres</td>
</tr>
</tbody>
</table>

All these steps prove that the reform of local self-government was not considered by the Kremlin as self-governmental. It formally declared principles of local government according to the Constitution of 1993, but actually the government of the Russian Federation continued on the strategic course of making the local level (cities, city districts and municipal districts) the bottom echelon of Putin-Medvedev’s vertical of power.
4.1.2 Municipal reform

After the collapse of the Soviet Union, the Federal Treaty as a part of the Constitution of the Russian Federation was signed on 31st March 1992. According to the Treaty, the local self-government was the joint responsibility of federal and regional authorities. Territories (края), regions (области), autonomous regions (автономные области), autonomous districts (автономные округа) and federal cities (города федерального значения) had acquired the right to regulate the local self-government according to the federal legislation. Republics as a part of the Russian Federation obtained the right to pass laws and other legal acts concerning local self-government issues.

The term “local self-government” (местное самоуправление) was introduced in the Russian Constitution of 1993. According to article 12, “bodies of local self-government do not form part of the system of state power” (see Appendix 1). This statement was supported by adherents of the societal theory of local self-government in Russia. However, this article was criticised by the supporters of the state theory for its “artificial distinction of two powers” and “fostering unjustified claims for local autonomy” (Wollmann and Butosova, 2001, 13).

According to article 12, the unified structure of the government was divided into two parts: state power and local government. The state authorities function at the federal and regional levels. The local government was removed from the system of state power and operates at the municipal level. This means that the local self-government and state government (federal and regional) are two forms of the single public power in the Russian Federation.

The municipal levels, being an insignificant body dependent on the central authorities in the Soviet time, had to become a politically and administratively independent level of decision-making. Considering the choice of the model of local government, the Constitution established only the general framework: organisational division of the state and municipal spheres, and a lack of opportunity to form joint “state-municipal” bodies. The Constitution left the choice of specific characteristics of the municipal organisation to the legislator.

In 1994–1995, differences in understanding the nature of local government became obvious while working on the Federal Law “On General Principles of the Local Government in the Russian Federation”. There were several alternative drafts of the law. One was prepared by the re-Sovietiors and self-governmentalists (Murav’ev’s draft), a second by managers and utilitarians (presidential draft). The former draft was mainly based on the societal theory of local government, the latter explicitly reflected the state theory. The third draft was introduced to the State Duma. It was a so-called “Cossack draft” headed by A. Dolgopjatov, a representative of the Cossack administration; the project focused on the local government in the countryside. This draft was similar to Murav’ev’s draft and was not discussed. FL-154, adopted in 1995, was a compromise between two opposite views on the local self-government. As a result, the adopted law had various reticences and lacunas that could be filled in depending on the correlation of forces in regions.

FL-154 was a framework law and did not provide detailed regulation for the local government, leaving this sphere to the Subjects of the Russian Federation. According to article 9 of the law, the local governance is under the joint responsibility of the Federation and regions: federal state authorities and state authorities of Subjects of the Russian Federation had to provide necessary legal, organisational and material-financial conditions for the development of local government and to assist the
population in realising the right to local government. The law did not establish rigid restrictions for different types of municipalities or levels at which self-government was to be organised; it did not differentiate between competences of municipalities. As a result, various models of local government were applied by the regions.

At that time, there was no unified system of the territorial organisation of local government in Russia. In different regions there were various types of municipalities:

- at the level of administrative districts (6 regions of RF);
- at the level of administrative districts and cities (37 regions of RF);
- at the level of administrative districts, cities and rural okrugs (23 regions of RF);
- at the level of rural okrugs and semi-urban settlements (5 regions of RF);
- at the level of city districts and rural okrugs (2 regions of RF);
- at the level of cities and rural okrugs (11 regions of RF);
- territories of municipalities were not defined or only some territories of the region were municipalities (5 regions of RF) (Local government..., 2002).

The majority of Russian regions had a one-level territorial base of local government. Forty-three out of 89 Subjects of the Russian Federation were used as a territorial base for municipalities’ large administrative units (districts and cities) and municipalities were not created within them. The Republic of Karelia was an example of this group. Seven other regions of the Russian Federation had a one-level structure at the level of rural districts (volost’, rural administration). A two-level territorial base was adopted in 23 regions. Some regions did not have a municipal level at all.

Freedom given to the regions in choosing their own territorial base for local self-government led to many conflicts between regional authorities and municipalities. According to Kourliandskaja el al. (2001, 177), the key reasons for these conflicts were:

- the unwillingness of regional leaders to share the instruments of power such as property, taxes, other financial resources and decision-making in business and economics;
- the lack of regional administrative experience and management skills required for the decentralised conditions;
- conflicts of interest between rich and poor municipalities;
- traditional subordination of the lower level to the higher level.

In addition, the regionalisation of the reform of local self-government led to a wide range of variants of the municipal policy due to the alignment of forces in the regions (see more in Gelman, 2007).

An important flaw of FL-154 (1995) was the paradox that the local government had a wide latitude but very small financial resources. According to the chairman of the Committee of the Federation Council on the local government (Inter-regional fund of information technology, 2002), Russia had about 12,000 municipalities and only 400 of them were self-sufficient. More than 6,000 municipalities did not have their own budget. M. Hyde (2002) wrote that “very little thought was given to how the law would actually be implemented”. The local government reform at that time was only partially successful.

FL-154 (1995) only created a legal framework for the development of local self-government in Russia. Many aspects of the functioning of local government were unclear, though. Anyway, adoption of this law was a big step in the municipal reform.

In 1998, the Russian Federation ratified the European Chapter of Local Self-Government. After ratification of the Charter the reform enabled the municipal
society to be protected from the direct interference of both federal and regional levels. However, the state authorities found other ways.

The municipal reform of the 1990s was not an elaborate project. The municipal project was carried out extremely inconsistently. Gelman (2007) identified several reasons for this. First, the local self-government in Russia was developing amid a deep economic recession and budgetary crisis, therefore the new municipal authorities did not have adequate resources. Roughly speaking, the federal authorities had “to block up holes” in the country’s budget instead of taking care of the financial base of municipalities. Second, strong decentralisation was one of the consequences of the administrative crisis of the Russian state after the collapse of the USSR. A considerable part of the resources and powers of the centre was in the hands of regional authorities, which could follow (or not) federal laws at their own discretion while the centre had limited means to control the regions. Third, local government reform was not among the priorities of the national political agenda, which was full of other “burning” questions.

In the early 2000s, the political and economic situation in Russia changed. The economic recession gave way to economic growth (mainly due to the growth of prices for energy resources); budget and tax crises were overcome. In the political sphere, there was consolidation of the Russian state, a new course toward recentralisation with the concentration of financial flows in the hands of the federal centre. In the new political and economic situation, a new course toward the development of local self-government was launched in June 2001 with the creation of the Presidential Commission for the Separation of Powers between the Federal, Regional and Municipal Levels. Also it focused on the problems of local self-government. The Commission introduced the new Federal Law “On the Basic Principles of Local Government in the Russian Federation” (FL-131). The law was enacted in 2003 and came into force on 1st January 2006.

According to expert estimates27, the local government reform was inconsistent. On the one hand, the majority of regions were getting ready for the full-scale implementation of the law, and formally the process was successful enough. The feasibility of the offered model of municipal reform was proved by those regions that had participated in an experimental implementation of the reform since 2005 (Novosibirsk Region and Stavropol Krai). On the other hand, the reform difficulties reflected deep problems in Russian politics and the economy: the insufficient legal basis of the reform and distribution of profitable resources between various levels of power; the shortage of qualified staff; the risks of parallel implementation of municipal and other reforms (tax, housing, budgetary), etc.

The amendments introduced to FL-131 (2003) established a transitional period until 1st January 2009. On the one hand, it was focused on the adaptation of the Subjects of the Russian Federation and municipalities to new conditions and interactions; on the other hand, it led to the regionalisation of the municipal reform.

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<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Subjects of the Russian Federation that apply FL-131 to the full</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 01.01.2006</td>
<td>46</td>
</tr>
<tr>
<td>From 01.01.2007</td>
<td>55</td>
</tr>
<tr>
<td>From 01.01.2008</td>
<td>68</td>
</tr>
<tr>
<td>From 01.01.2009</td>
<td>81*</td>
</tr>
</tbody>
</table>

Source: Ryabukhin, 2008b, 162

* Eighty-one out of 83 Subjects of the Russian Federation. On 24th November 2008, the President of Russia, Dmitry Medvedev, signed the Federal Law “On Measures on the Local Government Development in the Republic of Ingushetia and the Chechen Republic”. The federal law, so as to ensure the constitutional guarantees to the local government in these republics, established a transitional period until 1st January 2010.

These case study regions belong to different groups according to the dates of the implementation of FL-131 (2003). Thus, the Sakha Republic (Yakutia) applied the law in full in 2006, the Republic of Karelia in 2007 and the Nizhny Novgorod region in 2009. The transitional period determined diverse consequences of the reform at the regional level.

Certain hopes were pinned to the end of the transitional period in municipal and expert communities and the society as a whole, such as that the results of the transitional period would be analysed and discussed, and amendments to the municipal legislation reflecting the lessons of the previous three years would be made. However, these expectations were not justified. There was no wide public discussion about the results and lessons of the transitional period, or about the readiness of the country for full-scale municipal reform. Discussions in scientific and public organisations were rare and of interest to authorities and persons in charge of decision-making.

The municipal reform was implemented in full across Russia in January 2009 (except the Chechen Republic and the Republic of Ingushetia). The reform’s main objectives were:

• to bring authorities closer to the population by establishing local-level municipalities right across the Russian Federation;
• to ensure the clear separation of powers between levels;
• to differentiate the financial obligations between the levels of power by fastening profitable sources according to the scope of power and liquidation of non-financed mandates.

Let us clarify how these objectives were designated.

**Objectives of the reform**

1. Municipalities at the local level across the country, authorities closer to the population

A new principle of the territorial organisation of local government was proposed: a two-level system, “settlement – municipal district” (see Table 7 and Fig. 5). The territory of the region was divided between its settlements. Areas with a low density of population could not become a part of the settlement, such territories named as
inter-settlement territories. Territories of settlements became parts of the municipal district (article 11). According to the law, there could not be a territory without local government.

Table 7. Number of municipalities of the Russian Federation in the State Register

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01.01.2007</td>
</tr>
<tr>
<td>Rural settlements</td>
<td>19 679</td>
</tr>
<tr>
<td>Urban settlements</td>
<td>1 697</td>
</tr>
<tr>
<td>Municipal districts</td>
<td>1 768</td>
</tr>
<tr>
<td>City districts</td>
<td>495</td>
</tr>
<tr>
<td>Intracity territories</td>
<td>223</td>
</tr>
<tr>
<td>Total</td>
<td>23 856</td>
</tr>
</tbody>
</table>

Source: Ryabukhin, 2008b, 162; Database..., 2012

The lowest level named “settlement” (rural or urban) followed the settlement principle. As a rule, a village with a population of more than 1,000 people (for a territory with a dense population more than 3,000 people) and (or) several villages in the same territory with a population of less than 1,000 people in each village (for a territory a dense population less than 3,000 people in each village) was named a “settlement” (article 11, point 6 of FL-131, 2003). At the next level there was a municipal district consisting of at least three settlements. The municipal district, an independent municipality, had to consist of rural and urban settlements, which were independent municipalities too. Thus, the law established a two-level system.

According to the laws of the Subjects of the Russian Federation, the status of rural settlement could be given to a settlement with a population of less than 1,000 people taking into account the population density and accessibility of the territory.

The borders of settlements consisting of two and more settlements were set taking into account the walking accessibility of its administrative centre (to and back within the working day) for inhabitants of all its settlements. The borders of the municipal district were set taking into account the transport accessibility of its administrative centre (to and back within the working day) for inhabitants of all its settlements.

It should be noted that the two-level structure of local government did not exclude the direct subordination of one group of municipalities (lower level) to the other (higher level) and also limited the interference of one local government in matters of the other. According to the law, the relations between different levels of municipalities were to be based not on administrative subordination but on inter-municipal cooperation.

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There were 79 such inter-settlement territories in the Russian Federation. In the Republic of Karelia and Nizhny Novgorod region there was no such territory. In the Sakha Republic, there were three inter-settlement territories.
According to some Russian experts, the two-level model allowed some questions of local importance to be solved at exactly the level that had the necessary resources, personnel and organisational capacity. In addition, the model allowed the development of an optimal interaction of local governments both with the population and with state authorities (Mokryi, 2003, 223).

The changes in the territorial organisation of local self-government continued (see Table 7). At the beginning of the reform the number of municipalities almost doubled, and later there was the opposite process of a reduction in the number of municipalities across Russia. The enlargement of municipalities (at both levels – settlements and municipal districts) had economic and political reasons. Table 7 shows that such enlargements did not lead to a serious reduction in the number of municipalities, which means infringement of the principle of territorial accessibility of local authorities.

29FL-136 (2014) introduced two new types of municipalities: city district with intracity division and intracity district.
2. Separation of powers between levels

The separation of powers between federal, regional and municipal levels was discussed in section 4.1.1. The settlement level was formed to bring authorities closer to the population and to satisfy its daily requirements. The level of municipal districts was to fulfill functions that were inexpedient for each settlement and required considerable resources. FL-131 (2003) more clearly outlined the duties of different levels of local government. Each municipal level had to receive a list of duties at the expense of its own budget. However, in reality there was no such clear delimitation.

Partly this was a consequence of too general a description of the questions of local competence in the law. There were many phrasings such as “creation of conditions…”, “participation in…”, “supporting the conditions…” and “to assist…” that did not clarify the separation of powers. In addition, many questions of local importance overlapped with regional and federal issues. Quite often it was impossible to identify a clear border between responsibilities of regional and municipal levels, between settlement and municipal district levels. Table 8 gives some examples of overlapping local and state issues.

Table 8. Comparison of some state and local services

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation services for the population by automobile, railway, water and air transport (suburban and inter-municipal connections)</td>
<td>Provision of conditions for transportation services for the population and organisation of transportation between settlements within the municipal district (article 14, part 1, paragraph 6)</td>
</tr>
<tr>
<td>Library services for the population of the Subject of the Russian Federation, acquisition and maintenance of library funds</td>
<td>Provision of library services for the population, acquisition and maintenance of library funds of settlements, inter-settlements and city districts (article 14, part 1, paragraph 14; article 15, part 1, paragraph 19; article 16, part 1, paragraph 16)</td>
</tr>
<tr>
<td>Implementations of regional and inter-municipal programmes and projects in the field of physical training and sports, official regional and inter-municipal sports actions, training of sports teams of the Subject of the Russian Federation</td>
<td>Ensuring conditions for the development in the territory of settlement (municipal district, city district) of physical training and mass sports, official sports actions of settlement, municipal district and city district (article 14, part 1, paragraph 14; article 15, part 1, paragraph 19; article 26; article 16, part 1, paragraph 19)</td>
</tr>
<tr>
<td>Support of agricultural production (except for the federal target programmes), development and implementation of regional and inter-municipal programmes and projects for small and medium-sized entrepreneurship</td>
<td>Support of agricultural production development, expansion of the food market, ensuring conditions for the development of small and medium-sized entrepreneurship (article 14, part 1, paragraph 28; article 15, part 1, paragraph 25; article 16, part 1, paragraph 33).</td>
</tr>
<tr>
<td>Development and implementation of regional and inter-municipal programmes and projects in the field of nature preservation and environmental safety</td>
<td>Ensuring nature preservation in the inter-municipal territories and within the city district (article 15, part 1, paragraph 9; article 16, part 1, paragraph 11).</td>
</tr>
</tbody>
</table>

There was the same problem with the separation of duties at the municipal level between settlements and municipal districts, at which the overlapping was mainly determined by the terms “inter-municipal”, “inter-settlement” and “district’s importance”.

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The transitional period led to the regionalisation of the reform, which also affected the separation of duties between municipal levels. The transitional period allowed regional authorities to establish a wide range of relations with new rural settlements. As a result, several basic models of distribution of duties and finance among municipalities were introduced.

- The new settlements performed all duties of local importance, and formed and allocated the budget.
- Some of the questions of local importance were transferred to the district level; settlements had their own budgets.
- Some of the questions of local importance were transferred to the district level; settlements were financed based on their estimates (смета)\(^{30}\).
- Almost all questions of local importance were transferred to the district level; settlements were financed based on their estimates.
- In the region different models were used.

The regional legislations on local issues differed, though there were some general tendencies. The following duties were usually transferred to the settlement level: arrangement and gardening of the territory, transportation and recycling of household wastes and dust, street lighting, providing ritual services and maintenance of cemeteries, providing recreation facilities and conditions for the development of consumer services, trade, communication and public catering, maintenance of fire prevention safety, archival funds, prevention of emergency situations. The rarely transferred questions considered the use of resources: introducing local taxes and tax collection, formation and allocation of the budget, using municipal property, general layouts, rules of land tenure and creating settlements (Ryabukhin, 2008a, 150).

In the transitional period, the number and types of duties transferred to the settlement level differed among the regions. The Subjects of the Russian Federation had their own lists of local issues. Among the reasons and factors defining the choice of a regulation for questions of local importance were: financial and organisational non-readiness of municipalities to implement all powers, traditions in organising services in the municipality (Larina, 2008, 37), political pressure of the district level so as to protect/preserve powers and of management at the district level (Starodubrovskaja, Slavgorodskaja and Mironova, 2008, 49). As a result, in the transitional period there was a tendency for unilateral redistribution of duties in favour of municipal districts, which was unequivocal in the one-level model of local government.

Until 1\(^{st}\) January 2009, the problem of separation of duties between the levels had to be solved. However, this problem existed much longer than this date.

Based on separation duties, lists of local issues were made. Issues of local importance included securing vital activities of the population of the municipality, which, according to the Constitution and FL-131 (2003), was implemented by the population and/or local governments independently.

Unlike law FL-195 (1995), which established a uniform list of local issues for all municipalities, FL-131 (2003) determined the need for different lists depending on the type of municipality. In 2003, after the adoption of the law, the number of local issues for the settlement level was 22, while for municipal districts it was 20. In 2009, due to the modification of FL-131, the number of local issues became 33 for the settlement

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\(^{30}\)Possibility of financing on the basis of estimates was given to district authorities during transitional period.
level and 28 for municipal districts. Thus, the separation of duties between the levels continued after the introduction of FL-131.

3. Fastening of profitable resources and elimination of non-financed mandates
Effective implementation of local functions depended on the financial and economic resources of municipalities, therefore changes in the mechanism of financing municipalities were the key aspect of the municipal reform. FL-154 (1995) defined financial and economic bases only as a framework suggesting that this could be clarified by other legislative acts. But only one law on this issue was adopted – FL-126 (1999) “On the Financial Basis of Local Self-Government”, which had a declarative character. There were no federal laws to regulate the formation and management of municipal property, which was the basis of municipal order, and the self-taxation of the population, etc. As a consequence, there was insufficient financial and economic maintenance of municipalities. To solve these problems, changes were introduced by FL-131 (2003). Article 49 of the law defined the term “economic basis of local self-government” as a combination of municipal property, property rights of municipalities and local budgets.

**Municipal property and property rights of municipalities**
Property rights are the rights of municipalities to “use” objects that were previously state property and became the property of local governments.

FL-131 (2003), article 50, describes objects of municipal property. Among them are roads, gas lines, water pipes, housing, transport, libraries, historical and culture monuments, land, etc. (21 types of objects for the settlement level, 22 for the municipal districts). The list of municipal property followed the list of local issues; both lists had a limited number of items. The limited list of local issues not only contradicted the principle of subsidiarity, but also limited the municipalities’ capacity to implement the functions that were relevant for the population, but not mentioned in the list of local issues. There were debates on the need to open the list of local issues, especially due to the permanent adoption of amendments to the list of local issues. The list of municipal property was not expanded. The problem of a closed list of local issues was solved by introducing new amendments to FL-131 (2003) such as “the right of local government of settlements (municipal distinct, city district) to solve tasks not included in the list of questions of local importance for settlements (municipal distinct, city district) (paragraphs 14.1, 15.1, 16.1). This decision expanded the list of local issues of municipalities.

The closed list of municipal property limited the possibilities of municipalities developing and implementing strategic plans for social and economic development of territories, and ensuring competitive conditions for small and medium-sized business.

According to Batashova (2007), the serious problem of municipal property was incomplete correspondence of the list of local issues to the list of municipal property (the number of types of property was less than the number of local issues), and some of the local issues did not get the property basis for their implementation. FL-131 (2003) did not provide municipal property for such local issues of settlements and municipal areas as support of agricultural production development, organisation of

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31 In 2017, the number of local issues was 34 for the settlement level and 32 for the district level. Significant changes were made in 2014.
work with children and young people, prevention of terrorism and extremism, and also minimisation and/or elimination of the consequences of terrorism and extremism within the settlement, ensuring conditions for developing telecommunication services, public catering, trade and consumer services, local handicrafts, etc.

Besides the property for solving questions of local importance, two more categories of property can be used by municipalities:

- Property transferred by the state to the municipal level to perform the corresponding duties (if the duties were transferred by laws),
- Property for supporting the activities of local governments, municipal enterprises and organisations participating in municipal activities.

It should be noted that law FL-131 (2003) had a rigid norm concerning municipal and other property. If a municipality had property not included in any of the above-mentioned categories, this property was to be “reshaped” (to change its target use), or alienated. The order and terms of alienation were established by the federal legislation, so federal bodies had a right of property withdrawal.

The municipal property had to be admitted and protected by the state at the level of its ownership. This principle was introduced by the Constitution of the Russian Federation according to the requirement of the European Charter of local self-government. Article 9 of the Charter provides a list of principles of the financial independence of local self-government (see the website of the Council of Europe). To follow these principles, the state authorities of the Russian Federation and the Subjects of the Russian Federation were to perform the following actions:

--legislatively regulate the order of transferring the objects of the state ownership to the municipal property, and the reverse transition;
- transfer to the local governments the material and financial assets necessary for implementing the state duties transferred to them;
- regulate relations between federal and local budgets, budgets of the Subjects of the Russian Federation and local budgets;
- develop, accept and implement federal and regional programmes to support and develop local self-government;
- compensate the local governments’ additional expenses due to the decisions of the state authorities (Podsumkova and Remizova, 2001, 8).

Thus, the state guarantees of municipal property meant that the state assumed certain obligations to ensure the necessary economic and financial conditions for the development of local self-government and its municipal property.

The order of distributing property between municipal districts and settlements was established by article 154, paragraph 11.1 of the Federal Law FL-122 (2004).

See the full text of the European Charter of Local Self-Government on the official website of the Council of Europe: https://www.coe.int/en/web/conventions/full-list/-/conventions/rms/090000168007a088

Local budgets

A new system of local finances was based on FL-131 (2003), Budget and Tax Codes (they were changed after adopting the law). The local budgets’ incomes included: incomes from local taxes and duties; incomes from regional taxes and duties; incomes from federal taxes and duties; self-taxation of citizens; gratuitous receipts from other budgets of the Russian Federation, including subsidies for aligning budgetary security of municipalities, subsidies and other inter-budgetary transfers, and other gratuitous receipts; incomes from the municipal property; share of profit of municipal enterprises left after paying taxes and duties and other obligatory payments; the size of the share was established by standard legal certificates of representative bodies of the municipality, and part of incomes of local governments and municipal authorities in paid services left after paying taxes and duties; penalties in charges of local governments; voluntary donations; other receipts according to federal laws, laws of the Subjects of the Russian Federation and decisions of local governments (Chapter 8, article 55 of FL-131, 2003).

As local taxes, only land tax and personal property tax were defined. According to an expert from the Institute of Urban Economics (citation from Amelina, 2007), these taxes were the most non-developed and difficult to collect. The local taxes on advertising, inheritance and donation, and the local licence fee, were cancelled. The deductions from federal and regional taxes and duties to the local budgets were changed (see Table 9).

Table 9. Deduction rates from federal and regional taxes and duties to local budgets, %

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax</td>
<td>50.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Unified agricultural tax</td>
<td>-</td>
<td>60.0</td>
</tr>
<tr>
<td>Unified tax on the made income for specific kinds of activity</td>
<td>75.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Excises:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On vodka and liqueur vodka products</td>
<td>35.0</td>
<td>-</td>
</tr>
<tr>
<td>On other alcohol production</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>Profit tax</td>
<td>7.0</td>
<td>-</td>
</tr>
<tr>
<td>Corporate property tax</td>
<td>50.0</td>
<td>-</td>
</tr>
<tr>
<td>Tax according to the simplified system of taxation</td>
<td>45.0</td>
<td>-</td>
</tr>
<tr>
<td>Tax on extended extraction minerals</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>State duties</td>
<td>100.0 *</td>
<td>100.0 *</td>
</tr>
</tbody>
</table>

* by separate types

Source: Russian local self-government..., 2008; Budget Code of the Russian Federation, Chapter 9, article 61.

Thus, the list of deduction rates for the local budgets as well as the list of local taxes were considerably reduced. Local taxes were obviously insufficient to cover the basic expenses of municipalities’ budgets, and deductions from federal and regional taxes did not solve this problem.
The Subjects of the Russian Federation played a significant role in forming the budgets of municipalities. They obtained the right to establish uniform (for all municipalities) deductions for local budgets from the taxes of the regional budget. Regions could also introduce different specifications of tax deductions as a financial help to local budgets. The Subjects of the Federation could provide subsidies for aligning the level of budgetary security of local budgets. On top of that, they had the right to additionally introduce subsidies according to the size of the population of the municipality. However, the techniques of aligning budgetary security of municipalities were affirmed not at the federal level but at the regional level, which was justified by the obvious heterogeneity of economic bases of local governments in the Subjects of the Russian Federation.

The federal legislation defined the rules for allocating subsidies to municipal districts as a uniform model. For the level of settlements, three versions of financial support were provided. Regions could choose one of these models: per capita subsidies from the regional level; delegation of powers to the municipal district with per capita subventions; allocation of subsidies for aligning budgetary security of settlements at the expense of the municipal district’s own means.

Considerable attention was given to the support of local budgets by target transfers from the budgets of higher levels: subsidies for co-financing priority expenses and subventions for financing expenses on the delegated duties. Referring to the target subsidies, the Subjects of the Russian Federation became free to choose the directions of funding. The order of allocating subventions for the financial maintenance of federal powers transferred to local governments was defined by the federal level. Nevertheless, in reality the sources and amount of expenses depended on both federal and regional legislation. Thus, the level of financial security of municipalities strongly depended on the regional authorities. The structure of incomes of local budgets showed that municipalities depended strongly on the Subjects of the Federation, and this dependence was growing under the reform (see Table 10).

Table 10. Structure of incomes of local budgets, the Russian Federation, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of local taxes* in the incomes of municipalities</th>
<th>Share of tax incomes in local budgets</th>
<th>Share of incomes from budgets of higher levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>n/a</td>
<td>51.6</td>
<td>41.7</td>
</tr>
<tr>
<td>2004</td>
<td>n/a</td>
<td>52.4</td>
<td>39.5</td>
</tr>
<tr>
<td>2005</td>
<td>n/a</td>
<td>37.0</td>
<td>52.4</td>
</tr>
<tr>
<td>2006</td>
<td>9.9**</td>
<td>30.7</td>
<td>58.0</td>
</tr>
<tr>
<td>2007</td>
<td>12.2***</td>
<td>29.7</td>
<td>58.0</td>
</tr>
<tr>
<td>2008*</td>
<td>10.9</td>
<td>39.4</td>
<td>58.1</td>
</tr>
</tbody>
</table>

* Nine months of the year
** 8.9 – land tax, 1.0 – personal property tax
*** 12.2 – land tax, 1.1 – personal property tax

Sources: Russian local self-government..., 2008; The results..., 2008

The amendments regularly made to FL-131 (2003) in 2004–2008 led to the reduction of financial resources of municipalities, though at the same the list of local issues was expanding. The share of incomes from the higher-level budgets was increased every
In 2006–2008, the share was 58%. In several Subjects of the Federation, the local budgets were mainly based on such transfers. Thus, in the Korjak autonomous okrug the share of such transfers reached 93%, in the Dagestan Republic it was 89.1%, in the Tyva Republic 86.1%, etc. (Ryabukhin, 2008b, 166).

In addition, there were big differences between the budget sources of rural and urban municipalities. For example, in the Sakha Republic (Yakutia), cities like Mirny (diamond industry) and Yakutsk (regional centre) had a self-sufficiency of about 70–90%, while it was only 10% in some rural municipalities.

Thus, the financial independence of municipalities was very low. According to the Ministry of Finance (The results..., 2012), among the rural municipalities (rural settlements) in 2011 only 0.8% were self-sufficient (0.2% among municipal districts). Only 5.4% of rural settlements (2.5% of municipal districts) had a share of inter-budgetary transfers of less than 10% and 57.8% (50.8%) had over 70%.

The incomes of municipalities were not interconnected with the activities of local enterprises, that determined the lack of interest of local governments in the development/support of economic activities in order to increase the tax base. On the one hand, rural settlements had “to promote the development” of agriculture and “to ensure conditions” for small-scale business; on the other hand, such activities were not financed by the budgets.

At the same time some regions, due to the low level of local revenues, transferred to municipalities a part of the profit tax of the organisations enlisted in the budgets of the Subjects of the Russian Federation (for example, the Krasnodar krai, Voronezh, Lipetsk, Yaroslavl and Chelyabinsk regions). The share of the specified tax in the profitable base of municipal budgets of these regions was more than 50% (Ryazbukhin, 2008a, 155). This decision motivated municipalities to expand the tax base.

Among suggestions to improve financing at the municipal level was an idea to transfer the income tax (or part of it) to local budgets.

The expenses of local budgets consisted of costs for management staff, communal services, education, culture, medical care, etc. The expenses of two municipal levels were different according to their lists of duties. Figures 6 and 7 indicate the structure of the average expenses of municipal districts and settlements.

The figures show that education was the main sphere of expenses for the district level. At the settlement level, it was management and communal services. Expenses for management were reduced in the period under study, perhaps due to the enlargement of municipalities.

In Figures 6 and 7 shows about 85% of expenses of municipal budgets, and these expenses were targeted (mainly from higher levels of budget for targeted proposes). According to Larina (2008), in some municipalities share of such targeted expenses reached up to 94%. Thus, the presented items of local budget expenses represent mainly the minimum maintenance for municipalities; therefore, there was not much left for development.
Figure 6. Expenses of municipal districts.


Figure 7. Expenses of settlements.

The prevalence of target transfers, their divisibility (in 2009, 237 subsidies were provided, while in 2010 this was reduced to 124) and the considerable number of delegated powers accompanied by transfers with more than 20 subventions did not leave the regions and municipalities financial resources for implementing their own policies and for achieving their own goals. The federal ignorance of local features and the corresponding priorities sharply reduced the efficiency of federal transfers and led to inefficient expenditure of budgetary funds.

Elimination of non-financed mandates

The transfer of certain state powers to local governments was considered necessary for several reasons: according to the principle of subsidiarity set by the Constitution of the Russian Federation and the European Charter of Local Government, it allowed funds to be saved for establishing the corresponding territorial divisions of state authorities; and the transfer of functions was to improve the quality of services for the population.

FL-131 (2003) established the principles and order of allocating state powers to local governments. These included allocating state powers to local governments only according to federal laws or laws of the Subjects of the Russian Federation; financial maintenance of the transferred state powers only at the expense of subventions to local budgets from the corresponding budgets; local governments had the right to use additionally their own material and financial resources in cases provided by the municipality charter; and the state authorities controlled the local governments’ exercise of certain state powers and the usage of resources allocated for these purposes.

The analysis of the legislation of the Subjects of the Russian Federation proved that the following state duties were usually transferred to local governments: civil status registration; notarial actions; military accounts; organisation of civil defence; prevention and elimination of emergency situations; statistical accounting; architectural and building control and supervision; managing housing funds; the state town planning cadastre and monitoring town planning activities; the land cadastre; maintenance of the fertility of agricultural land; usage of forests; licensing of educational institutions; ensuring medical and social examination; archival business; control over quarantine situations and rule enforcement; the state youth policy; state control of labour safety; measures of social protection; additional benefits on payment of state duties; regulations of tariffs (prices); and licensing of alcohol retail.

The mechanism of allocating to local governments certain state powers with full and timely compensation of all expenses was difficult to implement. Local governments sometimes executed the delegated powers without any financial compensation of expenses. This delegation of unfinanced powers was determined by both regional and federal levels. Civil status registration, keeping household registers and register of local taxes payers were the most widespread unfinanced state duties. It should be noted that under the reform the number of unfinanced mandates significantly decreased.

Thus, even the implementation of FL-131 (2003) in full across the country from 1st January 2009 did not solve the problems of weak local budgets and did not end the separation of powers between the levels.
4.2 ECONOMIC TRANSFORMATIONS

Economic transformations are considered in two parts. The first one is connected to the national level, the general processes in the Russian economy; the second one is connected to sector-specific factors. I consider mainly agriculture (changes in the institutional environment), and some non-agricultural activities in rural areas.

4.2.1 General processes in Russian economy

Radical Russian economic reforms were entirely determined by the political development: the election of Yeltsin as the first president of the Russian Federation, the events of August 1991, Yeltsin’s speech to the Fifth Congress of People’s Deputies followed by the radical economic reforms. The main reforms package, which consisted of price liberalisation, privatisation and macroeconomic stabilisation, was launched at the beginning of 1992 (Aslund, 1995, 54). The emphasis was placed on the elimination of the state regulation of prices and the introduction of free prices; elimination of restrictions in trade; and large-scale forced privatisation, i.e. the transfer of the majority of industrial enterprises, trade facilities, consumer services, infrastructure and other state property to private hands. The structural reorganisation of the Russian economy was to overcome its super-militarisation and excessive manufacture of means of production. In general, the reforms were aimed at totally destroying the monopoly of the state of the economy and establishing market relations. Their social goal was to create a wide layer of proprietors. I will not consider the stages and consequences of economic reforms in Russia as there are numerous studies on this topic (see, for example, Aslund, 1995; Hough, 2001, etc.); I will focus on factors that influenced the local self-government.

Changes in property “rights” appearance of private property, and privatisation process

One of the key social institutions is property rights. A new system of property rights was formed through privatisation. In the Soviet period, there were two types of property – state and cooperative; private property as such did not exist. After privatisation, the share of state structures strongly decreased, and new types of economic property appeared: state (federal and regional), municipal and private (in different forms, such as joint stock, limited liability companies, etc.), and cooperative private property stimulated the development of the SME sector and private entrepreneurship. Thus, privatisation and private property rights brought diversity to the business sector. In addition, privatisation implicitly means the reordering of actors’ roles, functions and resources (Lindner, 2007, 498).

Private property also created a class of entrepreneurs absent in the Soviet system. The development of the SME sector was a priority for both Yeltsin and Putin-Medvedev; SMEs were considered an important part of rural development.

Since the beginning of the 1990s, there have been a number of laws and other legislative acts promoting the development of private enterprises. However, the first steps in this direction were made under Gorbachev’s perestroika reforms. In 1987–1988, some measures for self-employment and cooperatives development were introduced, but they were limited by various regulations. At the end of perestroika, there were opportunities to create small enterprises, partnerships and leased enterprises under
fewer restrictions and less control of the state. Very few of them survived and became SMEs in the post-Soviet period.

In 1993, the Government Resolution “On Priority Measures for the Development of State Support for Small Enterprises in the Russian Federation” was adopted. According to this decree, the development of small enterprises was considered one of the most important economic reforms, contributing to the development of competition, supplying the consumer market with products and services, and creating new jobs and a wide stratum of owners and entrepreneurs (Government Resolution, 1993). The number of SMEs grew significantly between 1992 and 1994.

The next important step was taken in 1995, when the Federal Law “On State Support for Small Entrepreneurship in the Russian Federation” was adopted. The law defined the general support for the SME sector and established the ways in which the state bodies were to both stimulate and regulate the activities of such enterprises. For example, there had to be an infrastructure to support small business, favourable conditions for state financial, material, technical and informational resources, simplified procedures for business registration, licensing, certification of production, etc. Additionally, according to the law, a fund for the support of small business was to be created to finance programmes, projects and measures directed at the SME sector. In 1995, the law “State Committee of the Russian Federation for the Support and Development of Small Entrepreneurship” was adopted. The Committee, as an executive body of the government, was to implement the state policy in this sphere.

The law became the basis for subsequent annual federal and regional programmes. The first federal programme on the state support of small enterprises was adopted for 1994–1995. According to the Russian SME centre, about 50 documents on regulating the activities of small businesses had been published since 1993, the vast majority of them between 1995 and 2000 (Bain, 2007, 66).

However, the legislative acts for the SME development did not define clear mechanisms of what aspects of entrepreneurship were to be improved and how. The wording of these acts consisted of expressions like “to recommend”, “to work out...”, “to carry out a set of measures...”, “to prepare a proposal for...”, etc. Thus, the legislation was providing ideas for the development of the SME sector instead of supporting it.

With Putin’s presidency, the development of the SME sector became a priority again. Federal programmes supporting the SME sector were developed. According to Bain (2007, 88), the main directions of the programme for 2000–2001 was similar to those set in 1996–1997. Putin seemed to have merely followed Yeltsin, offering the same solutions to the same complex problems that continued to undermine the development of the SME sector (ibid.).

As a result, the new class of entrepreneurs was small, tenuous and vulnerable. They worked in an environment that lacked legal clarity and was full of economic and political risks. Moreover, the reform institutions (as defined by Douglass North) often provided wrong incentive structures (Wegren, 1998).

In rural areas, in the selected cases, the main spheres for SMEs and private entrepreneurship were forestry, transport, trade and construction. The majority of rural “entrepreneurs” were self-employed former skilled workers that considered

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34 Text of the programme can be found on the website http://base.garant.ru/6301880/
their business a source of income rather than an entrepreneurial venture. They were not “entrepreneurs” in the classic sense of the word.

Thus, the market institutes that by their very nature support entrepreneurship initiatives did not develop in Russia. An institute of entrepreneurship based on property rights and competent state policy did not develop under the reforms (Galinovskaja, 2002).

**State perception of agriculture**

In the 1990s, many agricultural employees believed that “the state turned away from agriculture” (K15, 2003). There was a lack of institutional settings for developing private farms, personal subsidiary plots and private entrepreneurship. The rural credit system was not developed. Agricultural lending institutions such as credit unions were underdeveloped, and commercial banks did not wish to support the agricultural sector due to the risk of farm enterprises not returning the loans.

The state attitude changed in the 2000s. Several Priority National Projects were developed to support rural areas in general and agriculture in particular. There were four projects: public health services, affordable housing, education and the development of an agro-industrial complex. The last project included three subprojects: the development of small forms of economy, the development of animal husbandry and accessible accommodation for young specialists and their families in rural areas. The realisation of the first subproject was aimed at increasing agricultural production by small family farms by providing credit resources and developing service infrastructure (a network of agricultural cooperatives). The second subproject was to increase the profitability of animal husbandry, and to modernise the cattle-breeding complexes (farms). The third subproject allowed young specialists and their families to obtain affordable housing in rural areas, which could ensure the provision of effective skilled employees for agriculture.

Another type of institutional setting was formed at the federal level by Federal Target Programmes. The programme “Social development of rural areas till 2010” was not sector-specific; it considered general processes in the countryside including relations between local government and other local actors. The goals of this programme included: the development of a social sphere and engineering infrastructure for rural municipalities; providing legal, administrative and economic conditions for the transition to a sustainable social and economic development of rural municipalities and realisation of the Federal Law “On Basic Principles of the Organisation of Local Government in the Russian Federation”; providing conditions for the final transition of social sphere objects and infrastructure from enterprises and organisations to the local government; and enlargement of the labour market in the countryside and ensuring its attractiveness.

The national project for the development of an agro-industrial complex was followed by the state programme “On the Development of Agriculture and Regulation of Markets of Agro-production, Raw Materials and Food, 2008–2012”. The programme’s goals were the sustainable development of rural territories, the growth of employment and improved standards of living for the rural population, increasing

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55 More information about National Projects can be found on the official website: http://www.rost.ru.

the competitiveness of Russian agro-production on the basis of financial stability, modernisation of agriculture, and rapid development of priority sub-branches of agriculture, conservation and reproduction of land and other natural resources in agriculture.

In addition, in autumn 2008, the Ministry of Agriculture prepared the programme of the sustainable development of rural territories until 2020. Based on this programme, the Ministry intended to transform the not so successful federal programme of social development of villages till 2012 into a programme for the sustainable development of rural territories. The Ministry planned to adopt a law on the sustainable development of rural territories.

At the regional level the state created additional settings for the new institutional environment to develop agriculture (and forestry). Regional programmes and legislature were developed on the basis of regional structure of the economy and needs of the region. For example, the Republic of Karelia developed different programmes, including “Policy and Strategy of the Government of the Republic of Karelia in the Field of Forest Management and Developing the Timber Industry till 2010”, “Programme of the Development of Agriculture and Regulation of the Markets of Agricultural Production, Raw Materials and Food in 2008–2012” and “Development of the Agro-industrial Complex in the Republic of Karelia till 2012”. In the Nizhny Novgorod region there were the programmes “Development of the Agro-industrial Complex of the Nizhny Novgorod Region for 2011–2012”, “Development of the Flax Complex of the Nizhny Novgorod Region” and “Development of Beef Cattle Breeding of the Nizhny Novgorod Region”.

The institutional environment in the Sakha Republic (Yakutia) was based not on regional programmes (there were not so many of them), but on regional legislation. There were special laws, for example, “On Protection and Use of a Gene Pool of the Yakutian Cattle”, “On Land Reclamation”, “On Herd Horse Breeding”, “On Reindeer Breeding”, “On Hunting and Hunting Facilities”, etc.

4.2.2 Sector-specific factors (agrarian reform)

The Russian agrarian reform was a top-down state reform not determined by rural movement “from below” (Wegren, 2002). Agrarian reforms strongly influenced the functions and activities of local self-government in rural areas. There were both direct (for example, the transition of social services from agro-enterprises to local government) and indirect (new actors and changing relations between previous actors at the local level) influences.

Privatisation and formation of new actors

In 1990, on the eve of the transition from a planned economy to a market one, the main agricultural producers were more than 25,000 kolkhozes and sovkhozes. They produced 74 % of agro-production and used 98 % of their own land. In the personal subsidiary plots (2.1 % of land), the local population produced about 26 % of agro-production (Russian Agriculture, 2004). Peasant and family farms did not exist in that period.

A multi-structural rural economy was among the goals of the rural reform in Russia at the beginning of the 1990s. The restructuring of collective and state farms together with land reform were key elements of the Russian rural reform.
All collective farms, regardless of their efficiency, underwent reorganisation to transform into associations, joint-stock companies, agricultural production cooperatives, or family farms and their cooperatives. The right to retain the previous organisational form was granted to labour collectives. As a result, in 2005 there were 26,579 agricultural enterprises and organisations of different forms (Key economic indicators…, 2006). New types of rural enterprises made up 81.5 % of agro-enterprises in 2003 and 89.5 % in 2010 (see Table 11).

Table 11. Types of agricultural enterprises

<table>
<thead>
<tr>
<th>Types of enterprises</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Open joint-stock company</td>
<td>5.1</td>
</tr>
<tr>
<td>Closed joint-stock company</td>
<td>10.8</td>
</tr>
<tr>
<td>Limited liability partnership</td>
<td>15.3</td>
</tr>
<tr>
<td>Trust partnership</td>
<td>0.7</td>
</tr>
<tr>
<td>Association of farmers</td>
<td>0.8</td>
</tr>
<tr>
<td>Agricultural cooperatives</td>
<td>48.7</td>
</tr>
<tr>
<td>Kolkhozes</td>
<td>5.4</td>
</tr>
<tr>
<td>Other collective enterprises</td>
<td>1.8</td>
</tr>
<tr>
<td>Sovkhozes</td>
<td>0.6</td>
</tr>
<tr>
<td>State enterprises</td>
<td>4.9</td>
</tr>
<tr>
<td>Municipal unitary enterprises</td>
<td>3.0</td>
</tr>
<tr>
<td>Other (seed-growing stations, beekeeping farms, etc.)</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: Russian Agriculture, 2003; Russian Agriculture, 2010

New legislation provided a basis for the development of market institutions. Under the very formal procedure the working collectives became the collective owners of almost all the land they cultivated, and of other property such as machinery, buildings, etc. Land and property shares were distributed among employees and pensioners (former employees) of enterprises. New shareholders had the right to independently decide what to do with the shares. According to different sources, only 5–10 % of shareholders used the shares for the development of a private farm or household plot. The majority bought shares in the collective farm and continued to work for it. The reorganisation happened very quickly. By 1995 most kolkhozes and sovkhozes had already been reorganised. However the economic situation for the newly organised enterprises worsened. After becoming a joint-stock company the former collective of the state farm automatically lost almost all state support (finance, supplying and sales), which, according to the reformers, had to change the structure and activities of enterprises under market pressure. However, changing the name of the enterprise did not automatically form a new structure or a new system of labour motivation for employees.

Privatisation led to disintegration of the agro-industrial complex, which in turn led to changes in the rural labour market. On the one hand, the variety of forms and places of employment increased the possibilities of people’s economic self-fulfillment. But on
the other hand, the negative consequences narrowed the agricultural labour market, increased unemployment, and particularly long-term unemployment, and reduced real wages. In addition, the collapse of large enterprises meant that rural residents were left without their services. Large enterprises became less effective in providing (or did not provide at all) traditional services that were transferred from enterprises to local government with no resources.

Thus, the transition to new forms and methods of economy did not give the expected results; collective agricultural enterprises did not become the core of entrepreneurship in rural areas. However, the allocation of land and property shares led to the development of private farms and household plots. Due to the institutional underdevelopment these forms were weak, and often maintained symbiotic relations with enterprises.

Due to privatisation a new class of rural actors – farmers – appeared. According to FL-74, “On Peasant (Farmer) Economy” (2003), the family farm was an association of citizens bound by relations, having common property and personally carrying out production and other economic activities (production, processing, storage, transportation and sales of agricultural production). As a Civil Code of the Russian Federation (article 23), this law did not give the status of a legal entity to a family farm. Family farms that were established as legal entities according to the previous legislation had the right to retain this status until January 1, 2010. It is a paradox that the new law actually put farms beyond the law. On the one hand, the law obliged farmers to carry out all legal and bureaucratic procedures of reporting, functioning and registration, and guaranteed their economic independence. On the other hand, the same law refused to recognise them as legal entities, which hindered their independent economic activities. As a result, the legal term “family farm” was absent in the Civil Code, which led to complete bureaucratic arbitrariness (Vinogradsky and Vinogradskaja, 2004). In addition, agro-activities without the status of a legal entity meant increased taxation.

The important innovation of the law was the order of purchasing land by farmers. According to article 12 of FL-74, citizens willing to establish a farm and receive land had to submit an application to an executive committee of regional or local government.

The law was to protect only farmers’ independent activities so that they could protect their interests through associations or unions. However, these structures were not supported by the state. Thus, on the legislative level the state refused to solve farmers’ problems. Under the designated legal formats there were many reasons for weak motivation and low efficiency of family farms and household plots in Russia. The lack of a legislative base, of effective mechanisms to realise the rights of private agricultural producers and of a strong collective tradition at all levels led to the declarative character of farming. The village, as the weakest element of the social and economic structure of Russia, did not receive an effective economic agent – the farmer (Kulakova, 2007).

The situation became more positive under the national projects and federal and regional programme, which improved the development of family farms. The most important factor was the support of small forms of economy (family farms and household plots).

Household plot producers obtained the official status of agro-producers under FL-112, 2003, “On Personal Subsidiary Plot”. The law provided bases for regulating the relations connected with cultivating household plots. Their owners’ rights and
duties were defined; also, the law regulated the state control and support of this form of economy. The law introduced new social and economic preconditions for developing this form of employment. The law recognised household plots as a form of non-entrepreneurial agricultural production. According to the law, the household plot owner could have the same state support as all other agro-producers.

Thus, the plural ownership system in agriculture was the main structural result of the reforms; Russian agriculture included the following basic forms of production: large-scale enterprises, farmers and household plots.

**Land reform**

Land markets were an intermediary in the transfer of agricultural land from passive to active landowners, or more generally from less efficient to more efficient producers (Deininger, 2003; Lerman et al., 2004). Thus, the land markets contributed to improving the productivity and efficiency in agriculture, facilitating adjustment (or optimisation) of farm size by mechanisms without government intervention (Lerman and Shagaida, 2007), and strengthening the local budgets of municipalities through land tax and incomes from selling land.

In the Soviet period Russia had no land market. Land had been the property of the state since 1917 when it was nationalised. Only after 1990 did the land market start to emerge. In the 1990s, the land question was regulated by two legislative acts: the Law of RSFSR\(^2\), “On Land Reform” (December 27, 1990), and the Land Code of RSFSR (April, 25 1991). The law “On Land Reform” eliminated the state monopoly on land and introduced a land private property. The 1990s’ Land Code was an instrument to prevent rather than to promote private land ownership (Breig, 1997, citation from Trunk, 2000). From the political, economic and legal perspectives, these acts were vulnerable, and the first President of the Russian Federation issued a number of decrees\(^3\) to regulate the land relations in a different way.


The goals and nature of land reform were denationalisation and privatisation of land, and decentralisation of land property rights. The result was a plurality of property rights and land property rights: lifelong inherited possession of land, right to use land and to rent land. However, the land reform was not finished; it had to ensure the plurality of forms of agro-producers, and the growth of agriculture.

The above-mentioned legislative acts constituted a basis for land reform. However, in 1990, the Second (extraordinary) Congress of People’s Deputies of the Russian Federation established a 10-year moratorium on the purchase and sale of land. It could be said that this decision almost stopped the reform.

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\(^2\) Russian Soviet Federative Socialist Republic.

At the beginning of the new century, land relations were regulated by 41 federal laws, 33 decrees of the President of the Russian Federation and almost 100 governmental orders. Moreover, there were legal acts of the Subjects of the Russian Federation and municipal entities. All these legislative acts were badly coordinated, and frequently they contradicted each other. The unsystematised conglomeration of various legal acts at the federal, regional and local levels led to legal chaos. As a result, the land relations were regulated differently in different regions. For example, in the Saratov region the aim was to develop a private land property. In the Krasnodar Krai, the government tried to interfere with the introduction of private land property and market relations in the land sphere. Under such conditions it was hard to ensure development of a unity market economy (Pavlov, 2002).

The purchase and sales of land became possible only after adoption of the FL-136 “Land Code” (October 21, 2001). Since that time, the land market has been working in Russia. Local governments had land for distribution among local populations for different needs (housing, farming, etc.). Under the new Land Code the procedure of obtaining land became much easier and clearer.

Thus, in the years of reforms the Russian authorities took a big step toward a market economy and broad institutional changes in both the Russian economy as a whole and within its specific sectors. However, further steps must be taken in the future to overcome the underdevelopment of key institutions and other negative factors.
5 INSTITUTIONAL AND ORGANISATIONAL STRUCTURE OF RURAL AREAS IN THE POST-SOVIET TIME

The changes at the local level under the reforms affected both the structure/role of local government and social relations of local government with local actors. This chapter will answer two groups of questions. The first group is: Who were the actors? What were their interests and what role did they play in the local development? How did their roles and statuses change under the transformation process compared to the Soviet period? The second group of questions is about actors’ interaction. The restructuring process led to social changes and the formation of new social interactions. How did macro-institutional changes in politics and the economy influence the relations between actors at the local level? How did actors interact? How did social interactions between actors change in both vertical and horizontal dimensions compared to the Soviet period? People live within complex social relations: ties of affection, respects, obligations and reciprocity. A radical change in economic activity requires not only a change in thinking, but restructuring of the larger social world of which one is a part (Lampland, 2002, 32). This chapter focuses on the formation/reconstruction of social relations between local self-government and other actors.

According to Davoudi et al. (2008, 35), a territory is a set of actors; territorial governance is an organisation and coordination of actors. Let us start with actors.

5.1 ACTORS

Figure 8 shows actors participating in the local development. One could say that all these actors existed in the Russian countryside in the period under consideration.

Figure 8. Institutional and organisational structure of rural areas in the post-Soviet period.

* Local actors are individuals, which could act/decide both as individual and in a group (family, community, small groups, working collectives etc.).
5.1.1 Local government (LG)

Definition of local government (since 2003)
After the turbulent years of local government reform in the 1990s, LG was defined as a form of people’s authority being [...] independent and under their own responsibility solving [...] questions of local importance by the population directly and (or) through local governments taking into account the interests of the population, historical and other local traditions (article 1, Chapter 1, FL-131, 2003). According to article 34 of FL-131 (2003), the LG consists of a representative body with a chairman, a head of the municipality and a local administration (executive-administrative body) with a manager. Additionally, the supervisory municipal entity, other bodies and the elective officials of local government provided by the municipal entity charter can be a part of the municipality (see Figure 9).

Figure 9. Structure of the local self-government in the Russian Federation (made on the basis of FL-131).

Who were the heads and deputies of rural municipalities at the beginning of the reform?
In the majority of Russian regions, the first municipal election according to the new legislation took place in October 2005. Based on the Karelian data, I can identify several reasons to become a head of a rural municipality. First, the elected heads were often former employees of local governments. These people had the necessary experience, and knew local people and the socio-economic situation in the local community; some of them had been working in the position for 10–20 years – both nominated and elected. However, even though they had the experience, not all of them felt confident in the changing institutional environment.

This work I already know, know what I have to do. But it is difficult to say how everything will happen (K14, 2005).
At the first municipal elections in 2005 in the Republic of Karelia, among the contenders for the heads of municipalities about a third were former employees of local administrations (V Karelii, 2005). In 2005, in both Yakutia and Karelia, approximately two-thirds of the elected heads were former employees of local governments (V Karelii, 2005; RIA News, 2005).

The second group consists of inexperienced candidates and can be divided into subgroups. The first one represents “heads by necessity” (голова по нужде). The socio-economic situation in Russian rural areas was well known (high level of unemployment, part-time and seasonal jobs, low standards of living, deterioration of social sphere, etc.), and people used the opportunity to get a job through the election (unemployed self-nominated candidates).

Becoming a head of municipality was the only chance to get a job in rural areas (K2, 2005).

In Karelia in 2005, almost 10 % of the candidates did this (gtz.ru, 2005). The second subgroup included “heads by conviction” (голова по убеждению). These were people of different ages – from the very young (in the Olonets district the newly elected head of the municipality was 24 years old) to pensioners (about 5.5 % of Karelian candidates (ibid.)). These people had a strong desire and a keen interest in community development, but they did not have experience, and did not know what to do or how to do it. They participated in the elections

because it has bothered me, it is necessary to do something, to try to change something (K16, 2005).

The members of the election committees in Karelia said that new heads

come to office from January 1, 2006, and before that time they need to study the law ‘On Basic Principles of Local Self-Government’. But they already want to start to work (K17, 2005).

According to FL-131 (2005), deputies, members of the representative body of the local government, were elected in the direct elections at the settlement level. According to article 35, point 6, of FL-131, the number of deputies in the representative council of the municipality could not be less than seven in villages with populations of fewer than 1,000 people, and 10 in villages with populations of between 1,000 and 10,000 people. Thus, the number of deputies significantly increased. Usually a candidate for the deputy position was self-nominated. Sometimes a group of people (for example, pensioners) nominated a person (K15, 2005), and the deputy became a real representative of the local population.

In 2005, teachers, social workers and medical staff prevailed among deputies. Their general idea was to do something, to change the situation in the village. They were like the heads of the last group: they had a strong desire, but did not know what to do or how to do it.

In rural settlements, the majority of candidates for the head of municipality did not have electoral programmes or their programmes were nominal (a list of problems and promises to solve them). In Karelia, among 31 candidates for the position of the head of the rural municipality only one had an electoral programme – the acting
head of the rural settlement. In the programme, she wrote a report on the work of
the administration and deputies, and presented a plan for the next four years. In the
programme there were both general promises (for example, “to support the physical
culture and sports development in the settlement”) and specific measures (“water
pipe repair for the sum of 2 million RUB (approx. 58,120 EUR), the documentation
is ready”).

There were no programmes for candidates for the deputy posts. The lack of electoral
programmes was due to several reasons. First, there was a slogan introduced by “the
party of power” at both federal and regional elections: “judge by deeds” (судите по
dелам). These words were often used by the members of “United Russia”.

In any case it is necessary to judge and elect by work. We are used to trust in the
Goldfish... it is necessary to trust people who have really done something in this life,
achieved something through their work and wisdom. For the first time in 15 years, there
was a force and a party that fulfils the promises (co-chairman of the Higher Council
of “United Russia”, the head of the Ministry of Emergency Measures, Sergey
Shoigu (Shoigu, 2007).

Second, usually candidates for the heads and deputies of rural settlements had no
suggestions on qualitative changes of the life of voters, no development strategies
based on the resources of the territory. In the above-mentioned electoral programme
there were no explanations about resources to fulfil the promises.

Finally, at the local elections in a small community, the candidate with the
widest social network had the best chance. Usually it was not a competition between
“positions”, but rather a competition between social networks (Rozhansky, 2007,
13). This is evident in the case of Eveno-Bytantaisky ulus (Sakha Republic (Yakutia)),
where the competition was mainly between ethnic groups (Evens and Yakuts) and/or
between clans within ethnic groups.

The elections showed that there were not many people interested in elections as
candidates for both heads of a municipality and a deputy. For example, in 2005 in the
Republic of Karelia, the governor, Sergey Katanandov, used the influence of “United
Russia” not to admit the failure of the elections, because in many municipalities there
was a lack of candidates. Only urgent party support – the nomination of 58 candidates
for heads of settlements and 453 candidates for deputies – saved the situation, which
reminds us of the Communist party appeals in the Soviet period.

**Local administration**

The local administration, as an executive body of the municipality, is set by the charter
of the municipality to address local issues and to carry out state powers transferred
to the local self-government by federal laws and laws of the Subjects of the Russian
Federation. The local administration has a head according to the principles of unity of
command (FL-131, article 37, paragraph 1). The head of the local administration is a
head of the municipality or a person appointed to a post by the contract (city manager).

The structure of local administrations, according to the federal legislation, is
determined by local governments and must be confirmed by representative bodies at
the request of the head of the municipality (FL 131, article 37, paragraph 8). However,
the functions of local administration departments (units, committees, etc.) are defined
by a list of local issues assigned by the federal legislation to the local self-governments.
The structure of local administration can include a head and his/her deputies,
and functional and territorial bodies. The number of staff of local administrations is determined by the “golden mean” between the issues and the budget. Table 12 presents an example of the structure of a local administration.

Table 12. Administrative structure of the Olonets national municipal district of the Republic of Karelia

<table>
<thead>
<tr>
<th>Settlement</th>
<th>Number of</th>
<th>Staff, 2010</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>population</td>
<td>villages</td>
<td>Tasks</td>
</tr>
<tr>
<td>1 Olonets urban settlement*</td>
<td>12 250</td>
<td>9</td>
<td>Head, deputy head and 7 specialists (social issues; architecture and land control; communal services and organisational questions; accounting, registration and economy; municipal property; municipal order; legal issues)</td>
</tr>
<tr>
<td>2 Kuitezha rural settlement</td>
<td>1 049</td>
<td>4</td>
<td>Head and three specialists (accounting, registration and economy; communal services and architecture; social issues and archive)</td>
</tr>
<tr>
<td>3 Megrega rural settlement**</td>
<td>1 274</td>
<td>8</td>
<td>Head and three specialists (housing, land, archive, registration and economy)</td>
</tr>
<tr>
<td>4 Ilinskoe rural settlement**</td>
<td>3 483</td>
<td>10</td>
<td>Head and two specialists (registration and economy all other issues)</td>
</tr>
<tr>
<td>5 Kotkozero rural settlement</td>
<td>1 649</td>
<td>10</td>
<td>Head and two specialists (no specification of duties)</td>
</tr>
<tr>
<td>6 Vidlitsa rural settlement**</td>
<td>2 942</td>
<td>5</td>
<td>Head and three specialists (housing and land question; architecture and communal services; registration and economy)</td>
</tr>
<tr>
<td>7 Tuksa rural settlement</td>
<td>1 258</td>
<td>1</td>
<td>Head and two specialists (housing, land question and architecture; social issues and archive)</td>
</tr>
<tr>
<td>8 Kovera rural settlement</td>
<td>690</td>
<td>10</td>
<td>Head and two specialists (housing, land question and architecture; social issues and archive)</td>
</tr>
<tr>
<td>9 Mikhailovskoe rural settlement</td>
<td>798</td>
<td>5</td>
<td>Only the head; experts are invited on a contract basis.</td>
</tr>
</tbody>
</table>

Source: Data on local administrations from the official websites

*In 2016, there was no local administration in the Olonets urban settlement. According to FL-131, when a settlement is an administrative centre of a municipal district, local government of the settlement is not formed, the head of the settlement is a part of the representative body of the settlement with the casting vote and powers of the chairman. FL-131, Chapter 6, article 34, point 2, paragraph 3. This amendment to FL-131 was adopted in November, 2010.

**In 2016, these rural settlements had two heads: a head of municipality and a head of administration (city manager).

The structure and number of employees differ among municipalities because the administration structure was defined by the representative body of each settlement independently. A more developed structure of local administration is typical for large municipal entities with a long list of local issues and usually a more developed financial and economic basis.

In rural municipalities with many small villages the number of staff was not bigger (Table 12). In such cases the head of the rural settlement or other employees of the
administration had to visit villages and organise meetings with the local population. Sometimes there was a specialist from the administration working in the villages.

Path to the guillotine
The first municipal elections under the reform took place in autumn 2005. After the elections, the members of the local governments did not understand what to do or how to do it. The list of local issues was huge, and the tasks were unclear. In 2005 in the Karelian interviews the staff members identified several problems.

Theme 1: Borders of municipalities
In Karelia, the enlargement of the municipalities had already taken place in 2005 as a preparation stage for the reform. In some cases, newly created borders of municipalities contradicted FL-131 and were not supported by the local population. New borders were accepted without the “real voice” of the population. In Vedlozero rural setelement five former village administrations were combined into one municipality (map 5).

I think that the most inconvenient territory is ours. We combined five administrations. We have the largest territory though the population is not big... It is not walking distance... to Koivuselga, it is 50 kilometres; to Gutselga 25, etc. (K18, 2005).

Map 5. Five former village administrations forming one municipality (Vedlozero, Pryazha municipal district of the Republic of Karelia).
In this case the principle of availability of authorities for the population was broken. This territorial division does not correspond to FL-131. According to the law, the municipalities have to ensure that there is walking accessibility from the village to the administrative centre and back in a working day for all inhabitants of the municipality (article 11, point 11).

**Theme 2. Municipal staff**
The decision about staffing was not made at that time. Heads of municipalities did not know how many employees the administrations would have.

> I won the elections, but I do not know with whom I will work (K18, 2005).

> Nothing is clear about the number of administration personnel (K13, 2005).

**Theme 3. Duties of local governments**
The duties of local governments were not clear. As was shown in Chapter 4, the list of rural or urban settlement issues included 33 points; a municipal district list had 28 functions (FL-131, 2003, articles 14 and 15). The common perception of the list of functions was that “there are too many duties”.

> Now we have 27 duties. But all of them cannot be fulfilled locally, some duties should be transferred to the district level, especially at the first stages of adopting the law (K2, 2005).

Many functions were new for the settlement level, and for many duties there were no resources.

> Possession, use and disposal of property. Unclear. Organisation of electricity, heating, gas and water supply for the population of the settlement, water removal, supply with the fuel. We were not engaged in that earlier (K14, 2005).

> Providing the citizens living in the settlement with the conditions and improving living conditions according to the housing legislation. There is almost no municipal housing. How can I provide it, and at the expense of what? (K14, 2005).

**Theme 4. Municipal property**
The situation with municipal property was unclear.

> I do not know what I shall do and what to control (K14, 2005).

**Theme 5. Budget of municipalities**
The situation with the budget of municipalities was unclear too.

> How do we have to form our budget? Nobody can answer this question (K17, 2005).

> How will the budget of municipalities that do not have any enterprises be formed? What subsidies will such municipalities have? (K15, 2005).

> It is a problem that we do not know [anything about local taxes]... some part will remain, but what part? (K16, 2005).
Some heads had a better understanding of the situation with the budget. They knew about local taxes and deductions from higher levels. They understood that such resources were not enough for local development.

*It is impossible to survive with those taxes. Some share of the republican budget must be given* (K3, 2005).

*They (district authorities) planned the expenses of our settlement (for 2006) as 8,377,000 RUB. But the income is expected to be just 682,000... there should be support from the state* (K2, 2005).

In this situation, some heads tried to increase local budget revenues. One chance was provided by FL-131 – self-taxation of the population (or surtax).

*There will not be enough money, and it is necessary to make uneasy decisions. I have an offer: at the next session consider surtaxes* (K18, 2005).

**Theme 6. Charter of municipality**

The new members of local governments did not have relevant experience. A model municipality charter was presented at the first session after the elections of district authorities but it raised more questions than gave answers.

*It is necessary for the charter to be serious. And it must be real... so that it would be possible to live. The charter of the municipality must be understandable for the population* (K15, 2005).

**Theme 7. The start of work**

- What are you planning to do?
- To improve village life
- How?… (K15, 2005)

*We will establish deputy commissions everywhere. But now it is difficult to speak about it, because powers are not defined* (K18, 2005).

*Many heads pointed out that “we are not ready for this format, neither we nor the people... To make everything work several other laws have to be adopted in addition to this one, for example, on budget financing, interaction among the budgets of all levels”* (K2, 2005).

*To tell you the truth, we are not ready to work according to the new law. We are not ready because we do not have a clear idea of what this system is* (K13, 2005).

The general perception of the reform after the first elections was expressed by the head of one rural municipality in Karelia.

*To tell you the truth ... those who expressed a desire to stand at these elections mainly went to the guillotine. In other words, it is not possible to define the situation: laws are not working, and you do not know where to go and what to do* (K14, 2005).
To sum up, new local governments were poorly prepared for their new role. There was unclear situation with almost any questions – budget, duties, staff etc.

The birth and death of three-headed rural dragon
According to FL-131 (Figure 4, Chapter 4), a head of a municipality could be directly elected by the population or indirectly appointed by the representative body from its members. In direct elections, the head of a municipality is a member of the representative body and its chairman or a head of local administration. In indirect elections, the head of the municipality is a member and a chairman of the representative body; so the principle of division of powers is realised. However, in rural areas, FL-131, Chapter 6, article 34, point 2 allows one person to perform the functions of a) head of the municipality, b) chairman of a representative body, and c) manager of an executive body (head of the local administration) to save on staff costs.

As was shown in Chapter 4, indirect elections of the head of the municipality by the representative body and appointment of the head of administration (city manager) was considered by the Kremlin to be the best choice. One by one, the regions and their municipalities moved to the “accepted scheme”.

Until now the head of the district was elected directly, and now there will be no direct elections anymore. Only local deputies will be elected. From these deputies the head of the village council will be elected. From every rural council three or five deputies will make the district Duma (Земское собрание). Members of the Duma will elect the chairman. The head of administration will be appointed by the contract. It was said that to nominate the head of administration 50 voices will be given to the Duma and 50 to the governor, or 70 % to the governor and 30 % to the Duma. It is not defined clearly. From the next elections the whole region will work in such a way: the head of administration will be appointed by the Duma together with the governor (NN5, 2009).

Thus, at that time, the planned (2009) elections were less democratic than the first municipal elections in 2005. The voice of the population became weaker at all levels. The voice of governors at the nomination of a manager of local administration could strongly influence all activities of local governments.

On October 6, 2003, when FL-131 was adopted, there were 11,733 municipal entities in the Russian Federation. Under the reform the number of municipalities increased more than twice. By the end of 2006 there were 24,207 municipalities. The majority of new municipalities were of the lowest level – rural and urban settlements: 10,700 new rural settlements, 1,295 urban settlements, 238 municipal districts and 18 city districts. The total number of rural settlements increased from 9,192 to 19,892 (Kynev, 2007). Thus, the number of new members of LGs was huge, which determined the problem of staffing.

The lack of qualified staff capable of solving local problems was one of the key restrictions in the development of local government. This problem was especially urgent in the countryside. In 2002, about 60 % of municipal employees had a higher level of education, but only 3 % of them had it in the field of state and municipal management, and about 6.5 % of them had a speciality “jurisprudence”. The changes in the territorial organisation made the problem even more urgent. For example, in the Nizhny Novgorod region only 7 % of heads of municipalities were educated in the field of state and municipal management (Local government..., 2002). The majority of chairmen of representative bodies did not have experience in local government
at all. The shortage of qualified staff did not allow the rational use of resources, and reduced the quality of services. This situation led to the low quality of the regulations including charters of municipalities and socio-economic development programmes.

After adopting FL-131, special training sessions were organised for both heads and deputies of municipalities. These courses were mainly intended for the study of FL-131. Many heads noticed that the courses offered both training and an exchange of experience. However, the training was not enough for qualified work. The key shortage of knowledge was in budgetary issues. "From my point of view, deputies lack knowledge of tariffs and budget estimates. These are deputies’ weak points" (NN5, 2008).

According to the new legislation (2009), each municipality had to have a charter and a plan of socio-economic development (previously such documents were necessary only for the district level).

From this year we have to make it for the first time (a plan of socio-economic development of the municipality), previously it was developed by the district. And now they force us to make a plan of work for a year. This is new for us (NN1, 2009).

Members of rural local governments said that they did not have enough knowledge to write the necessary documents. We should address district administration for the help of economists and lawyers (NN1, 2009). There was no money for hiring specialists, but they were needed in many cases, especially for land issues, implementation of federal and regional programmes, etc.

Plans for socio-economic development were created for 1, 5 and 10 years. They were based on the higher-level plans (the settlement plan – on the district level, the district plan – on the regional and federal levels) and "budgetary funding estimates" (NN5, 2008) or "available funds" (NN1, 2008). Only one head mentioned that they "took into account the mandate of voters" (NN1, 2008). In poor municipalities "the plan covers only repair works" (NN4, 2008).

Thus, in many cases the plans for socio-economic development did not take into account local needs and these plans followed directives from ‘above’ (as occurred in the Soviet period). There are several explanations for this: first, top-down planning regime introduced since the early 2000s (recentralisation process), second, the lack of resources at the local level and as a consequence the lack of possibilities for solving local problems; the third reason was closely connected with the second one – the main financial resources of rural areas came from different federal and regional programmes, national projects, etc. This money in the local budgets could be used only for the clearly specified goals.

Local budget
Local governments have many duties and small financial resources. In 2002, only 3.3 % of municipalities were financially self-sufficient; more than half did not have their own budget (Inter-regional fund… 2002). Heads of village administrations unanimously claimed that they did not have real power; they were not able to do anything.

I don’t know what we are doing. Our work is of a psychological nature. People come here to weep. They complain and feel better. We cannot help with anything. We are not a legal entity. We are deprived of everything. Actually we do not have the right to deal with any business. We have no budget, nothing. We just occupy this place, and I am not sure what the outcome will be (K16, 2003).
Under the municipal reform each municipality had its own budget, but the financial situation did not improve. With the lack of resources there was a selective implementation of duties by local governments.

How were the local budgets formed? The situation was close to the plan for socio-economic development of rural settlements. Local authorities presented some approximate figures for the budget. The higher-level financial department looked at these figures and changed them according to the district-level budget.

It turns out that the budget is formed by the district level. It looks like they play at democracy. We write one figure, and get others back” (NN1, 2009).

1. Tax revenues

As was shown in Chapter 4, local taxes include land tax and personal property tax. In addition, there were some deductions from federal and regional taxes.

Personal property in the countryside consists mainly of housing and other real estate (summer cottages, garages, etc.) and movable (for example, boats) property. This tax did not ensure a large financial inflow to local budgets partly because the tax was not collected in full. To build a new house every person had to have a so-called “construction passport” after completing the construction work and gaining the acceptance of the state commission (electricity, water supply, architecture, etc). Only after receiving the construction passport did the owner start to pay property tax. Rural residents tried to avoid paying tax. And the easiest way to do it was not to invite the state commission. In one rural municipality there were “21 new houses, but they haven’t been registered yet” (K3, 2005) and owners did not pay taxes.

We cannot impose either taxes or anything else. Sometimes people do not say when the construction has ended and live a good life (NN1, 2008).

The land tax should not exceed 0.3 % of the cadastral cost of the land (Tax Code, article 394) and is collected according to the size of the officially registered area, which in many cases consists of “4 to 12–15 hundred parts” (K26, 2002). In practice sites were much bigger; there are many examples of seized and non-registered land.

Three hundred parts are registered for the person, but we, locals, know that he has a field and there can be more than these hundred parts (K14, 2005).

On the other hand, people started to give up their land. The main reason was the rent.

Before nobody paid the rent. Now, if you have land you have to pay (K16, 2005).

In addition, both taxes were/are paid only by the working-age population, while pensioners were/are exempted from these taxes. But the majority of the rural population are pensioners (“there are 134 pensioners out of 257 people here. More than a half are pensioners”, NN6, 2008). So the age structure of the rural population influenced the local budgets.

Revenues to local budgets from personal income tax were insignificant too. According to the Budget Code (Chapter 8, article 56 and Chapter 9, article 61, 2009), 70 % of this tax was for the regional level and 20 % for the municipal. The settlement
level had only 10% (Table 8, Chapter 4). And the business finds ways to avoid payments to local budgets. One of these is black cash salaries.

- They [employees] used to be registered, but now we have cancelled the registration.
- Why?
- So as not to pay taxes.
- Is it good for them? Do they have a working record?
- It is not good for them, but it is good for us (K6, 2005).

In some cases, such an attitude and behaviour limited the development of business. Below there is an example concerning the development of rural tourism.

- Did you publish your contacts anywhere else? In Petrozavodsk, in tourist companies, on the Internet?
- No, we did not.
- Are you going to publish them?
- Well, if we publish this information, we have to pay taxes... (K7, 2005)

In the countryside, the turnover of “black cash” was significant: from sales of agricultural production to semi-legal or illegal trade of wood, fish, furs or rendering of various small services. Additionally, a considerable proportion of the rural population had incomes in kind instead of money, and local authorities, in turn, did not have any mechanism to gather taxes. A large part of the rural population was engaged in secondary (informal) economy, and these incomes did not go to local budgets.

According to Rozhansky (2007, 16), municipal entities gathered no more than 15–20% of the expected budget. Informal practices and relations were perhaps more likely to hinder than support local development, and the catastrophic lack of financial assets made local governments a senseless institution.

In addition, personal income tax was paid not at the place of residence but at the place of work. Thus, in rural areas this tax was gathered from small salaries paid to state workers and from the official part of wages paid by local entrepreneurs to their workers.

2. Land trade as an additional source for local budgets
Another source for local budgets was/is land trade. Before the reform the land was sold at rather low prices directly by the village administration. The shortcoming of this land trade was low prices, while one advantage was that the local administrations knew whom they had sold land to and, thus, they could control the land use. Land auctions made the process uncontrolled.

We also have our own money from the land trade. We sell plots and live on this money. 50% of the money from the plot sale belongs to us. The rest of the money goes to the

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39 Amendments to the Budget Code in 2014 changed this scheme. Today 85% of personal income tax is for the regional budget, while the municipal district budgets receive 5% of taxes collected in the urban territories and 13% of taxes collected in the rural territories. The share of rural settlements is only 2%.

40 Today personal income tax is paid at the place of residence (Tax Code, article 226, paragraph 7).
budgets of other levels. This year we had 10 mln RUB (approx. 278,000 EUR) from
the land trade (NN1, 2008).

Under the reform, the land was sold only through the Committee on Property at the
district level. Local authorities at the settlement level prepared all documents, allotted
a plot and submitted an application to the Committee. The Committee made a decision
and put a plot up for auction. Information about the land auction was published on the
Internet and in local newspapers. After a month the auction was conducted and the
price was set. Prices of land differed not only across Russia, but in different settlements
of one municipality too. In addition, the prices depended on the season. “In spring
the demand for plots is high, while in the autumn it’s low” (NN1, 2008). The majority of
the buyers were outsiders. If a local wanted to buy the land, the municipality tried to
help, but they “don’t suffer from a lack of land. A lot of land is standing idle” (NN1, 2008).
While in some municipalities there was a large demand for land (even Muscovites want
our land (NN1, 2008)) for people to build summer cottages or for retired people, in other
municipalities there was not any demand (on the contrary, the land is empty (NN4, 2008)).
When there was no demand the local administration tried to offer plots of land for sale.

3. Self-taxation
According to FL-131 (Chapter 8, article 56), self-taxation consists of single payments
by citizens for solving specific questions of local importance. The size of payments
had to be equal for all inhabitants of the municipality (with some exceptions) and the
use of payments had to be set at the local referendum.
Representatives of local governments identified some problems of using self-
taxation. The main problem was that the federal law introduced a difficult procedure
for introducing and using self-taxation: a local referendum must be organised;
the expenses of local governments for the referendum are comparable to or even
exceed the collected self-taxes. Some rural municipalities use self-taxation mainly for
improving the territory, ensuring the water supply, lighting or some urgent repairs.
The collected sums were not big, but helped to solve local problems. In one village in
the case study region the local referendum decided to collect 50 RUB (1.4 EUR) per
household for maintaining the water supply (NN1, 2008).

4. Local budget expenses
As was shown in section 4.1.2, among the expenses of rural municipalities of the
lowest level the biggest part was for management staff and communal services, as
well as for maintenance of the territory, transportation and other things.

Only 5% is for development, so it is hard to make a good socio-economic forecast
(NNI, 2009).

We work strictly according to the budget, under the control of the Treasury. Roughly
speaking, I can’t buy even a pencil if it is not budgeted for (K3, 2011).

Municipal property
Municipal property did not facilitate the work of local governments. First, there was
a problem with transferring social services and property from the state and collective
farms to the local governments. This process mainly took place at the beginning of
the 1990s (in 1992 or 1993 all the burden was transferred from the state farm to the district
administration (K2, 2005)). In villages with relatively stable agricultural enterprises they supported local infrastructure and local services as long as they could. In some cases, even in the 2000s, local enterprises organised services, but after bankruptcy the services together or without property were transferred to the local government (after the kolkhoz disintegration in 2007 everything was transferred to the village council (NN4, 2008)). Sooner or later local governments had the same problems, such as no basis for getting “new” property.

The property needs to be maintained. We have neither machinery nor specialists; all this has to be done by the contract” (NN4, 2008).

The second problem is redistribution of property between levels of government. For example, one of the functions of local governments was road maintenance. A road was in the territory of the village, but the property right was not registered officially, i.e. the local government could not spend money on road maintenance, but had to do it according to FL-131. Another example was a dump, the maintenance of which there was no money for in the local budget. Nevertheless, its maintenance was a duty of the local government.

Another important problem was the state of municipal property and the lack of resources for its maintenance. There were many cases when heads of local government did not want to take a property on balance. The state of the property was often bad, and there were no resources for reconstruction or repair.

This year our local administration accepted a boiler house on balance. The local administration financed it badly. Now either the boiler house will drown the local administration completely or the local administration will completely disorganise the boiler house (K15, 2002).

We got pipes full of holes. Now I am asking for financial support to repair the pipes. But there is no money even in the district budget” (K3, 2011).

If I take this property, the firemen and militia will come and find some defects. So I do not want property with problems for solving for which there is no money (NN1, 2009).

It is clear that one of the major conditions for the constitutional power of local government was secure financial resources for municipalities together with an effective system of inter-budget regulations. Due to the lack of financial resources, municipalities became dependent on higher levels (this raises the question of LG autonomy). Rural municipalities were dependent on district-level budgets, and districts, in turn, were dependent on regional budgets. In the Pryazha district, in the Republic of Karelia, in 2008 the local revenues were only 18 % of total revenues (Municipal statistics, 2008).

What other resources are available?
The lack of financial resources was not the only problem. Another problem was that members of LG did not perceive many resources as a basis for local development. Only material and financial resources were considered important by many members of local governments. They were not able to evaluate local resources and often focused on the search for external aid (mainly state). Such available but not used local resources could
offer real potential for territorial development, i.e. the terms “territorial capital” and “territorial governance” are very important. Many local governments considered only agriculture and forestry as an economic basis for rural development.

- Are there opportunities for new jobs?
- Only if production increases at the state farm ... nothing else (K2, 2005).

According to the governance approach, territory is not only a space for population and different objects. Territory is an active part of local development, but the majority did not perceive local territory as a source for development. The Russian Karelia may be a territory for recreational development, but people did not see possibilities for rural tourism. “The same nature”, “the same climate” (as in Finland), “we do not have anything special”, “there is nothing we can do” were typical expressions of local residents (K6, 2002, K25, 2002, K6, 2003, K13, 2003, K7, 2005).

The rural population tried to get involved in tourism activities with their own houses for accommodation. It was a widespread practice, but it did not increase the local budget. First, the above-mentioned activities were examples of the informal economy and brought income only to some people. Second, often to attract tourists, the local population used travel agencies registered in other municipalities (mainly Moscow, Saint Petersburg and Petrozavodsk). Thus, the income from these activities increased city budgets, not rural ones.

The labour force is another important resource of local development. The examples below show that informal practices were institutionalised and turned into formal ones. The development of villages was/is one of the functions of local governments, though there were limited resources for its implementation. Active members of local governments tried to find ways to solve this dilemma. For example, the head of one rural municipality used unemployed people to maintain the territory. This practice was declared illegal (it contradicted the federal law on employment) and it was forbidden by the higher authorities (in 2004). The idea to involve unemployed people in public works so that “the unemployed worked at least 2 days per month, for example, on improving the territory” (K14, 2005) was popular across the country (for example, in Saint Petersburg, the Leningrad region, the Moscow region, etc.). As a result, amendments to FL-1031-1, “On Employment in the Russian Federation”, were introduced from 2008–2009.

In June 2009, this programme was implemented in the villages of the Nizhny Novgorod region. The heads of the village administrations reported that they had unemployed people engaged in maintaining the territories.

We are working with the unemployed. The labour office sent the unemployed to us. Now nine people are working. This is a big help for us. And 4,300 RUR is paid to each of them. They are glad to have such work. They work on rubbish transportation, cemetery cleaning, wells and many other things (NN, fg4, 2009).

Thus, these illegal practices were accepted at the higher level and the special programme to support the labour market was developed.

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41 The living wage in the Nizhny Novgorod region in 2009 was 5,082 RUB (119.77 EUR) per month; the salary for public works was 4,300 RUB (89.8 EUR).
Another important resource is intellectual capital. According to Davoudi et al. (2008), the term “territorial capital” allows the addition of a territorial dimension to various forms of capital including intellectual. Post-soviet local governments inherited from their soviet predecessors a disparaging attitude to such capital. The population as a rule is considered only as users of services, although among rural dwellers there were/are creative people with ideas for local development.

In one Karelian village an active woman created a rehabilitation centre for children that worked successfully for many years. She really worried about the situation in the village. At the beginning of the 2000s, she wrote the “Programme of Social-Economic Development of Village Administration” for 2003–2007 (at that time such documents were developed only at the municipal district level).

*The programme presents a system of principles, mechanisms and measures to overcome the crisis and its consequences, to create preconditions for the transition to sustainable social and economic development*” (The program, 2002, 1).

She analysed the main tendencies of village development in previous years and the key village problems. She identified the main priorities of the development and its mechanisms. For example, at that time (before the adoption of FL-131) she wrote about the necessary differentiation of powers between levels: “signing of agreement with the district authorities on the transfer of some powers” (ibid., 11). She knocked on all doors with her programme and specific suggestions to solve local problems. But she did not find support either at the village administration and local enterprises, or at the higher levels. Such active people not only participated in rural life, but also attracted others to their projects. Some initiatives found support from local and non-local actors, others were less successful. Thus, intellectual resources of the local population can become an incentive for local development.

Information resources are poorly developed and used in rural areas. However, there were some cases when such resources played an important role in the local development. In Karelia (Kotkozero village, Olonets municipal district), the rural school created its own local TV, which was widely used not only for the school’s needs, but by the whole village. Important local information was announced on the school TV, and TV programmes about local enterprises, ecological problems, local veterans, etc. made by pupils and their parents were shown on the local TV. In other villages, local libraries were used as information centres.

Municipalities’ websites were important information resources. In the 2000s, many municipal districts created their own website, along with rural municipalities and some villages. The quality of these websites and available information varied greatly. One of the first websites of the rural settlement in the Pryazha district was Vedlozero.ru (rural municipality Vedlozero, Pryazha municipal district, Republic of Karelia), which presented different information: interactive maps, local government staff, detailed information about the elected head of the local government, interviews with him, a list of local enterprises and organisations, a charter of municipality, the report of the head about his activities in the previous year, decisions of the deputies,

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42 Later she was elected head of another municipality in the same district. Today she is a deputy of the Legislative Assembly, a deputy head of the Committee for Agro-industrial Policy and Rural Development, a member of the Committee on State Management, Local Self-government and National Policy, and the head of the fraction “Yabloko” in the region under study.
photos of the villages, bus timetables, demographic statistics, etc. The site was constantly updated. Thus, all local inhabitants and guests could obtain information about the life of the rural municipality.

When the state was not able to provide the local government with the necessary financial support, the mobilisation of territorial capital for aims of local development became a key task. The unused local resources offered potential for local development. Thus, it is very important to analyse the potential of new sources of local territorial development, for instance, using the method of focus groups.

There are certain natural, human and labour resources in every territory. A programme for independent self-sufficient development based on the local resources should be developed (NN, fg 1, 2009).

It is important to underline that due to a set of social-psychological reasons (the needed reorganisation of local relations, communications, hierarchies, etc.), the rural municipalities needed assistance from external experts to mobilise their internal resources (Glazychev, 1998). These actors will be considered in section 5.2.5.

**Development priorities**

The list of priorities for the development of rural municipalities was long. Among the first ones were developing territories and maintenance of roads.

The things that I mentioned are of prime importance: water supply, sewage in apartment houses, lighting, a fire station, a boiler house (NN4, 2008).

The main problem is communal services. … water pipelines are 100 % worn out, the boiler house is 70 % worn out. These are the most urgent issues at the moment. It is the same problem with roads (K2, 2005).

Poor rural municipalities named as their priorities only the above-mentioned problems. More wealthy municipalities with more active members of the local government tried not only to solve urgent problems, but also to develop new projects.

The basic priorities are the search for investors, increase in workplaces, participation in all existing programmes and keeping young people living in rural areas (NN1, 2009).

There is only one priority – to develop the taxable basis (NN5, 2009).

**5.1.2 Local community**

What is a rural local community?

Our land is vast and abundant, but there is no order among us; come to us to rule over us and to govern us. The Beginning of the Land of Rus, year 854 (a quote from Birnbaum, 1977)

O, my God, who is to rule us? A.C. Pushkin “Boris Godunov”.

111
Implementing a democracy and modernisation project in Russia depends on what the local community is, what its behaviour and actions are, traditional social practices, whether there are supporters of innovations/traditions and whom both groups represent.

Under the transition, the populations adapted to the changing conditions, at least in two independent but closely connected fields. First, there was the adaptation of various social groups and individuals to the changing socio-economic conditions, determined by the isolation of rural settlements (spatial, informational, etc.), changes in the demographic composition of the population, the material/economic state of rural inhabitants (like the availability of housing, real estate, etc.) and social status inherited from previous social and economic circumstances (such as professional or economic status, position in social networks etc.). These changes determined the level and quality of life achieved.

Second, there are values and norms that determine the changing social relations. The development/acceptance of new norms and values relevant for the new socio-economic-political circumstances provided (or did not) to individuals some effective realisation of their own vital programmes in changing circumstances.

### Changing socio-economic conditions

Rural communities were/are characterised by an ageing population, out-migration of the younger generations and immobility of other groups, long-term unemployment, etc.

Ageing population. The rural population is getting older. In 2003–2008 the share of the Karelian rural population “above the working age” increased from 19.0 % to 20.1 %. At the beginning of 2011, the mean age of rural inhabitants was 41.93 years (in 2002 it was 39.09 years); for men the mean age was 38.80 and for women 44.79 (36.22 and 41.72, respectively, in 2002). The urban population was younger; the mean age was 38.99 in 2011 (Age-gender structure, 2012).

The birth rate was higher in rural than in urban areas, but this difference was not so big (13.8 ‰ against 11.5 ‰ in 2011), while the difference in death rates was more significant (20 ‰ against 13.3 ‰). The natural decrease in the population in rural areas was higher than in urban ones. Table 14 shows that the situation was improving due to both a decrease in the death rate and an increase in the birth rate (Republic of Karelia in numbers, 2012).

<table>
<thead>
<tr>
<th>Year</th>
<th>Birth</th>
<th>Death</th>
<th>Natural increase/decrease</th>
<th>Birth</th>
<th>Death</th>
<th>Natural increase/decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>7290</td>
<td>14141</td>
<td>-6851</td>
<td>10.2</td>
<td>19.9</td>
<td>-9.7</td>
</tr>
<tr>
<td>2007</td>
<td>7319</td>
<td>11007</td>
<td>-3688</td>
<td>10.6</td>
<td>15.9</td>
<td>-5.3</td>
</tr>
<tr>
<td>2011</td>
<td>7720</td>
<td>9474</td>
<td>-1754</td>
<td>12.0</td>
<td>14.7</td>
<td>-2.7</td>
</tr>
</tbody>
</table>

Table 13. Birth and death rates, and natural increase/decrease in population, in the Republic of Karelia

Source: Republic of Karelia in numbers, 2012
Indicators of natural decreases/increases influence the life expectancy of the rural population. The most difficult situation was with rural men. From 1993, the life expectancy of this group was always below the pension age\(^{43}\) (with two exceptions: in 1996 – 55.7, and in 1998 – 56.8). The lowest point was in 2003, when the life expectancy fell to 48.8 years.

The main problem in rural areas was the high death rate among those of working age. In 2007, the share of deaths at working ages reached 39.5\% in Karelia. The share of male deaths at working ages was 3.7 times the female indicator (in the 2000s this difference fluctuated from 3.4 to 4.3). The main causes of death were cardiovascular diseases (56 \% of the rural population), accidents, poisonings and traumas (15.4 \%), and oncology (9.9 \%). In general, the health of the rural population worsened (Mortality of the population, 2008).

There is a variety of reasons for it: social conditions, uncertainty, i.e. stresses. Tuberculosis plays an important role too (K16, 2002).

Migration. For many decades rural-urban migration was a dominant feature of the territorial mobility in Russia. The main direction of the outflow from rural to urban areas was characterised by its high intensity and age and gender differences. The worrying fact was that among migrants the share of the younger generations was really high. The intensity of migration of young people aged 18–30 was almost twice

\(^{43}\) In the Russian northern territories the pension age is 50 years for women and 55 for men (Karelia and Sakha Republics, for example); in other regions the pension age is 55 and 60 (the Nizhny Novgorod region).
higher than the average level in the Republic of Karelia (Annenkov et al., 2004). Young people left their home villages and only a few of them returned after graduating.

Migration became apparent in different ways in different types of rural settlements. On the one hand, the outflow of migrants from very small villages was insignificant because the majority of their population was the “low-mobility” elderly. There was no intensive outflow migration from big and large villages along the main roads with developed social services. On the other hand, the great outflow was typical of small and middle-sized villages that lost part of their administrative and economic functions. The young made up the largest proportion of out-migrants.

The so-called stepwise migration was very important. The local “origin” rural population moved to the urban area and were then replaced by newcomers. The stepwise migration developed as a series of movements. Populations from smaller villages moved to middle-sized and big villages; in turn, residents of these villages made the next step to urban areas. Thus, the integrity of the rural society was destroyed. In the first decade of reforms, some Karelian settlements replaced about half of their population. For example, from 1990 to 2000 in the district administrative centre at Pryazha the out-migration amounted to 2,374 people and in-migration to 2,412. The total population was 4,300 inhabitants. A little bit more than half of the population was replaced in Pryazha in a decade. In the second decade, the speed of this process decreased. The settlement in 2002–2007 replaced about a sixth of its population (in-migration in six years amounted to 629 people and out-migration to 669, the total population was 4,150 people) (Demographic Yearbook, 2008).

Urban-to-rural migration played an important role. In the first years of crisis, the Russian countryside was resistant to social and economic shocks and attracted people. The inflow of migrants to rural areas was high between 1992 and 1994, and the rural in-migration overcame the negative rural demographic trends.

Among the new tendencies of urban-to-rural migration in the 2000s, there were two particularly significant aspects. Villages located close to cities (especially to regional centres) attracted both poor and rich inhabitants. Well-off people bought houses in rural areas as second or only housing. The main attractions that led to them leaving the cities were a clean environment and quiet places (the so-called “rural idyll”). As the interviews showed, these newcomers usually had a positive impact on village life: new houses, reconstruction of roads, additional revenues for local budgets (after registration in the villages), sponsor help.

On the other hand, poor urban populations sold their city apartments and moved to rural areas. Such groups of urban migrants were usually represented by unemployed alcoholics. These migrants brought instability, problems and disorder to the rural community. Two groups of migrants determined changes in both the quantity and quality of rural populations.

Commuting is another feature of rural areas. Rural areas lost many functions; the rural economy did not engage rural men who tried to find better-paid work outside rural areas. Among the leading places for commuting were regional centres and Moscow. This tendency intensified during the economic crisis.

There is a situation here like everywhere in Russia: men from 20 to 40 years old go to work in Moscow. They go for a week and then come back. It doesn’t require a high qualification but brings good money (NN5, 2008).
Another problem of rural areas was unemployment, in particular long-term unemployment. After a long period of unemployment, the quality of the labour force declined. According to the head of the village administration in the Pryazha district, people would not return to normal working life if they had been unemployed for a year or longer; and there were no age differences. Such people became the “social bottom” of the village. They were usually alcoholics; they did not have a permanent job and did not want to have one. They lived on occasional earnings or at the expense of other members of the family (K7, 2008). According to Kalugina (2000, 2001), one of the paradoxes of the Russian agrarian reform was that instead of developing people’s market mentality and behaviour in the economic sphere, the work motivation was destroyed.

Table 14. Length of unemployment period among registered unemployed in rural areas of the Republic of Karelia, %, end of the year

<table>
<thead>
<tr>
<th>Years</th>
<th>less than 1 month</th>
<th>1–4 months</th>
<th>4–8 months</th>
<th>8–12 months</th>
<th>more than 1 year</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>17.6</td>
<td>47.0</td>
<td>19.2</td>
<td>9.4</td>
<td>6.8</td>
<td>4.3</td>
</tr>
<tr>
<td>2005</td>
<td>18.3</td>
<td>48.1</td>
<td>22.0</td>
<td>8.1</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td>2007</td>
<td>16.5</td>
<td>53.5</td>
<td>19.5</td>
<td>6.3</td>
<td>4.2</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Labour and employment, 2008

The average duration of unemployment decreased in the 2000s. At the end of the 1990s, this indicator reached 6.4 months, and by 2007 it had reduced by 1.6 times (3.9 months on average). The general level of unemployment was still high – in 2007, it was 10.8 % (Labour and employment, 2008). Rural inhabitants had the official status of unemployed for a longer period than urban dwellers. The sad fact was the growth of unemployment among the rural youth. According to Morozova (2008, 48), the share of the unemployed at the age of 15–30 years made up 28.2 % of the total number of unemployed people. In addition, the majority of rural unemployed people (74.8 %) did not receive social benefits and were not socially protected.

In rural areas, the labour market was characterised by its structural unemployment. On the one hand, there were many low-paid vacancies (there were workplaces, but nobody was interested in them); on the other hand, there was a surplus of undemanded specialists (people were ready to work, but there were no jobs for their qualification). The structural unemployment was determined by the low prestige of agricultural work, small salaries in agriculture, seasonal work, and the lack of technologies and hard working conditions.

*There are working places, but nobody to work* (K9, 2002).

*Today the greatest problem of rural areas is the lack of jobs. There is not so much cattle in kolkhozes; there are no permanent jobs. Many people work only in summer, in the season of fieldwork. In winter, they are at home* (NN4, 2009).

Thus, negative processes such as the demographic decline, and the catastrophic decline of the level and quality of life created in remote Russian places left large enclaves of social instability. People felt that the state had abandoned the villages, and that the rural population had become “second-class” citizens, which negatively affected their mood.
Sometimes it feels like we are in a submarine. You know, there are compartments in a submarine. And if an accident happens in one compartment, it is closed. And sometimes I feel that at some stage the state decided that the [rural] people have to be left in that compartment... They are there, you feel sorry about them, but what can be done? They knock asking for help. They knock slower, softer and eventually become silent. And that’s it. The problem is solved (FG 4, 2009).

On the one hand, this led to social and labour apathy, the growth of social dependence and the decline of the labour activity of the rural population. On the other hand, it hindered the market reforms, and caused public discontent with the state and mistrust of power institutions.

Values and norms
Under the reform some changes in the consciousness of the Russian population occurred. On the one hand, “feudal consciousness” was typical for some groups; people did not feel responsible for their own lives. As in the Soviet period, people delegated this responsibility to external actors. The paradigm of totalitarian-state paternalism survived during the transition. Some improvements in living standards were perceived not as the result of changes in social behaviour (primarily professional and economic), but as a result of new government activities (Keselman et al., 1999).

On the other hand, the transformation of relations between collectivism and individualism was evident. Collectivism, a feature of the soviet man, was elapsing into the past. The collective consciousness (all for all) turned into individual (I am responsible for myself and for my children). According to M. Gorshkov (cited from Pichugina, 2001), social order and clear conscience were the main values; then the priorities shifted to personal/individual success and entrepreneurship. About 30–40 % of Russians supported the Western type of individualism, 53 % preferred to live like everybody else and only 15 % supported the concept of collectivism.

More and more rural actors (such as policemen, social workers, etc.) spoke about the degradation of the rural population.

There are traces of degradation of a certain part of the population and of the loss of morality. There are drunkenness, drugs dependency, larceny (K19, 2002).

The population degrades. People hope for state support and they are used to it. Even in villages! Young families that live in the countryside could have a personal subsidiary plot, but they do not want it. They are used to relying on the state (NN, fg1, 2009).

Drunkenness was a big problem in the Russian rural areas. The majority of respondents considered drunkenness a result of unemployment. There are so many unemployed! My husband is. He has not been working for three years. He even does not think that it is necessary to work (K2, 2002). Such people have a lot of free time they do not know what to do with, and they start to drink. Such people find a job and work for a month or two, and then lose the job again and start to drink. Previously drunkenness was mainly a problem for men; later it became a problem for women too. Children in such families do not receive care from their parents. As a result, there are high criminal rates among teenagers.

Not all rural dwellers have problems with unemployment and drunkenness. As was shown above, part of the rural population goes to work in other places (commuting to urban areas). They have additional incomes, but they are less and less connected with
the local community and are not interested in the economic, democratic and social development of the community.

Now it turns out that they only spend nights here. If people were more closely attached to their home, it would be more rewarding. If a person is not living here, he is like a tenant. He leaves at 6 a.m. and comes back at 7 p.m. It is a consumerist attitude (NN4, 2008).

Additionally, there is a disbelief in one’s strengths, a lack of knowledge of one’s rights and social apathy. People have lost faith in the future.

You can hardly do anything here; we’ll probably die before we get something good. There is no kolkhoz any more. We will still live here, but our children will leave for different cities. Not a single person will be left in the village soon (NN2, 2008).

In the restructuring period the rationality of the rural population choice was not a dream about a “better life” or successful career, but a survival and sociocultural basis for one’s family (“to do it as we are able to do”) according to the historical values, norms and experience of living/surviving and even an attempt to avoid innovations. In the 2000s, ordinary people felt the lack of “practical knowledge” necessary to live in the new institutional environment and to define ways of survival and/or adaptation.

5.1.3 Public sector

The public sector consists of different actors from both local and non-local levels. The local self-government is one of the public actors (section 5.1.1.). State authorities (regional and federal) represent this sector too. In addition, there are municipal and state enterprises, and the social sphere (education, medical care, culture, sport, etc.).

State authorities
The state appeared in rural areas in different guises. Some of them were discussed in previous sections: transfer of mandates or some state powers to local governments (section 4.1.2), federal and regional programmes and projects (some of them like national projects and the Federal Target Programme “Social Development of Rural Areas till 2010” were described in section 4.2.1). One of the most successful (according to the respondents) activities of the state in rural areas will be considered in section 5.2.2 (housing programme).

Federal and regional authorities are present in rural areas as administrative structures such as labour offices, departments of agriculture, social protection organisations, tax offices, etc. Below I mention some organisations that work more closely than others with local governments. One of them is a department of agriculture. In the structure of municipal district administrations some regions have such departments. In the Nizhny Novgorod region, the Department of Agriculture was a part of the municipal district administration and of the Ministry of Agriculture and Food of the region. The same system was established in the Sakha Republic (Ya1, 2005). In the Republic of Karelia, such departments existed until the mid 2000s. Later their functions were transferred to economic departments.

The functions of regional departments of agriculture were numerous. Among the main functions were the implementation of federal, regional and district programmes
in agriculture, and of the national project “Development of the Agro-industrial Complex”; developing forecasts for agricultural production in the short, medium- and long-term perspectives; reallocation of resources from federal, regional and district budgets to agricultural organisations; agro-technical and agro-chemical land improvement and other actions to maintain the fertility of agricultural lands; control of the use of budgetary funds, etc.44.

Municipal district labour offices were a part of the Federal Agency of work and employment. Their key goals were ensuring state guarantees in the field of employment; rendering state services to assist with employment, labour migration and protection against unemployment. The labour office provided the following state services: assistance in the search of a suitable job, and in the selection of suitable employees; providing information about open positions in the labour market; vocational counselling; psychological support, vocational training, retraining and improvement of the professional skills of the unemployed; organisation of paid public works; social adaptation of the unemployed in the labour market; assistance in self-employment; assistance in resettlement for working in the countryside, etc.45.

Organisations of the social sphere (education, medical care, culture, sport, etc.) were the main employers in rural areas financed by different budget levels. The employees of this sector had a (almost) regular salary in cash46, which was a very important aspect of rural life, although the sums were not big.

Social protection organisations played an important role in rural areas. They provided target social support, benefits and different payments, medical and social assistance to different groups, and took care of the disabled, the elderly and children. Such organisations worked under the Department of Social Protection, which was a part of the regional government. Among organisations working in rural areas of the Semenov district of the Nizhny Novgorod region were a children’s shelter, a charity home, a centre for social services for veterans and the disabled, and a centre for social assistance to families and children.

State and municipal enterprises
In the 1990s, there was an overall decline of state ownership, but not all agro-enterprises emerged through the privatisation; working collectives could choose the form of property. Table 10 (section 4.2.2) shows that in 2003 about 5 % of state enterprises were in agriculture. The decline of state ownership slowed down in the following years. In 2009, in the Republic of Karelia, there were 734 public sector enterprises and organisations involved in the economy, including 70 enterprises and organisations in agriculture and forestry (The basic indicators of development of public sector..., 2009). Table 15 shows that at the end of the 2000s the state still had a high share in agricultural production.

44 The whole list of functions can be found on the official websites of municipalities, for example: http://www.gu.nnov.ru/ogv/obl_adm/adm/1234172717 (02.06.2010).

45 The whole list of functions can be found on the official websites of the Federal Agency of Work and Employment, and on regional and municipal websites. See, for example, http://czn.nnov.ru/info/?doc=2&id=664 (02.06.2010)

46 There are still opportunities to get salaries and pensions in cash by signing payment sheets. For example, in rural areas of the Republic of Karelia, there are mobile posts for paying pensions.
Table 15. Share of state agro-producers in the total agricultural production of the Republic of Karelia, %, 2009

<table>
<thead>
<tr>
<th>Share of state agro-producers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>In total agricultural production</td>
<td>40.3</td>
</tr>
<tr>
<td>In total livestock of cattle and birds among all agricultural producers</td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>49.2</td>
</tr>
<tr>
<td>Pigs</td>
<td>48.4</td>
</tr>
<tr>
<td>In total agricultural production</td>
<td></td>
</tr>
<tr>
<td>Cattle and a bird on slaughter (in live weight)</td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td>15.3</td>
</tr>
<tr>
<td>Milk</td>
<td>52.3</td>
</tr>
</tbody>
</table>

Source: The basic indicators of development of public sector..., 2009

In the Olonets district of the Republic of Karelia there were nine enterprises before privatisation; at the beginning of the 2000s only five were left; four of them for a long time were state enterprises. In the middle of the 2000s they again changed the status: four enterprises changed the form of property from state enterprises to open joint-stock company, but the owner of the enterprises was the state. The financial stability of enterprises did not depend on the form of property. Two of the state enterprises in the Olonets district were weak, and two others were stable and prosperous (the state policy was the same for all enterprises). The fifth enterprise, a limited liability partnership, was also prosperous. According to the head of the agricultural department of the Olonets municipal district, the stability and profitability of an enterprise depend on several factors.

First, it depends on the manager. Our people believe that if the manager is honest, he won’t steal anything, he will work openly. For instance, Ilyinskii [state farm]: the manager doesn’t abuse his position. They trust him, thus, the yield is better. The second principle is the basis left from the Soviet time. Every state farm has its own industrial basis. I mean premises and the rest. In Ilyinskii, the basis was more stable than in other state farms. Those are probably the main principles. The rest is to find a market on time. The personality of the director is important: he must be industrious, he must work for 24 hours a day and be successful. On the whole, for a manager it is important to have an intuition for novelties (K1, 2005).

In the Sakha Republic (Yakutia), the state owned agricultural enterprises (Ya2, 2005). The state still has a high share in agricultural production, and in the villages there are both prosperous and dying state agricultural enterprises.

Credit cooperatives as public actors

The state and cooperation are water and fire; if they are coordinated a steam engine will arise from the water and fire (Chayanov, 1925).

47 In registration documents of such enterprises the “type of property” is defined as the “property of the subject of the Russian Federation”.

According to federal laws FL-193, “On Agricultural Cooperation” (1995), and FL-190, “On Credit Cooperation” (2009), a credit cooperative is a structured\(^{48}\), voluntary\(^{49}\), non-profit\(^{50}\) but not independent\(^{51}\) organisation.

The credit cooperative “Kerzhaki” in the Nizhny Novgorod region provides an example of the “top-down” initiative. The state took responsibility for establishing credit cooperatives and supporting their activities by allocating state funds. In the Nizhny Novgorod region the state allocated 30 million roubles (approximately 770,000 EUR) for the cooperatives’ founding capital. The cooperative “Kerzhaki” received about 2 million roubles (approximately 51,300 EUR). As in all other credit cooperatives, this sum was used as the registered cooperative capital and for allocating loans to local farmers and household owners. At the beginning the cooperative “Kerzhaki” had 31 members; their funding was about 100,000 roubles (approximately 2,500 EUR) per person.

In all interviews (NN13, 2007; NN6, 2008; NN11, 2008) the head of the cooperative complained about the shortage of financial resources. The need for money exceeded almost four times the available resources. As a result, the cooperative had to limit the number of members and the amount of credit; besides, they were not able to provide large credit.

The head of the cooperative understood that he had to find other resources for the cooperative, but no step was taken in that direction. He relied on the state and state-owned bank (Rosselkhozbank) for the financial stability of the cooperative.

*There is no other source from which to expect an inflow of money. We submitted an application to be included in the budget by November 1 (NN13, 2007).*

*Now we are working on our inclusion in the regional budget (NN6, 2008).*

*There are a number of ways to make our portfolio thick. In particular, the Rosselkhozbank should work with us. Huge resources, billions [of roubles] were given to it. But today the bank doesn’t want to work with us (NN, fg2, 2009).*

The responsibility of the state for rural development and particularly for credit cooperation was declared by many participants of focus groups: “the state money is needed [for cooperative development]” (NN, fg2, 2009). However, there was some understanding of the need to search for other/local sources. According to the head of the cooperative, *this is one of the directions of the activities to be developed* (NN, fg2, 2009). Unfortunately, no attempts were made.

Thus, the lack of initiatives of local actors and their reliance on the state were strong at the local level. The cooperative was created under the state programme and state/regional regulations and with state funding. A combination of a voluntary organisation (credit cooperative) with the state did not become a steam engine, but helped in taking some steps toward rural development.

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\(^{48}\) See Chapters 3–4 of FL–190 and articles 19–33 of FL-193.

\(^{49}\) See paragraph 3, article 3 of FL-190 and article 2 of FL-193.

\(^{50}\) See paragraph 1, article 3 of FL-190 and paragraph 2, article 4 of FL-193.

\(^{51}\) See article 5 of FL-190.
Russian Agricultural Bank

The Russian Agricultural Bank (RusAg), a 100 % state-owned bank, was established in 2000 on the initiative of the President of the Russian Federation. It was the only state-owned bank in Russia focused on providing services to the agribusiness and rural population. RusAg’s credit policy stipulated that at least 70 % of the loan portfolio was devoted to agribusiness (see more on the bank’s web page[52]).

RusAg acts as a mediator between the state and village people wishing to obtain credit. According to the respondents, the Bank should help agricultural producers, but such help is now inadequate (NN, fg1, 2009; NN, fg2, 2009).

The bank intentionally retains the money for as long as possible. It changes conditions. The village doesn’t need short-term credit, but they allocate credit for a year. They also charge high interest rates, the registration takes such a long time that those willing to get credit don’t succeed. Even the little money allocated by the state doesn’t reach the producer (NN5, 2008).

Representatives of the RusAg explain the situation:

Banks pay a lot of attention to safety. Therefore, they conduct a versatile investigation of the solvency of clients and activities of enterprises. Banks should secure themselves against non-returns. Many so-called “difficulties” are determined by this (NN2, 2009).

Although at the local level the work of RusAg was evaluated negatively, the all-Russian statistical data shows a different situation. RusAg was the main provider of financial assistance to agro-producers across the country; its share was about 70 % in credit for small agro-producers (Table 16).

Table 16. Volume of credit for the development of small forms of rural economy, 2010

<table>
<thead>
<tr>
<th>Total including</th>
<th>RusAg</th>
<th>Sberbank</th>
<th>Other banks</th>
<th>Credit cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>mln RUR (mln EUR)</td>
<td>48,256 (1402.3)</td>
<td>33,553 (975)</td>
<td>9,945 (289)</td>
<td>1,721 (50)</td>
</tr>
<tr>
<td>%</td>
<td>100</td>
<td>69.5</td>
<td>20.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: Janbykh, 2010, 5

5.1.4 Private sector

As was shown in section 4.1.2, the structure of the Russian economy changed dramatically. One of the most important changes was private property, which led to the formation of the private sector and new social groups – entrepreneurs, farmers, shareholders, etc. The main interests of this sector are trade and profit. The private sector development aims to promote growth, reduce poverty and help people improve

their quality of life. Tax revenues in the private markets are essential for public programmes (Private Sector Development Strategy, 2002).

In the case regions this sector is represented by several actors: large companies that work mainly in agriculture (former sovkhozes) and forestry, small and medium-sized enterprises that work mainly in forestry and construction, farmers, and private entrepreneurs in the services (trade, cafes, transportation and tourism).

**Agricultural enterprises**

As was shown in section 4.2.2, the privatisation of agro-enterprises gave rise to different forms of enterprises, but did not lead to real changes in their activities. As the privatisation was rapid, there were no real changes in the structure of enterprises and their activities, or in the motivation of their employers. Here is an evaluation of reorganisation by the head of a collective farm:

>This reform is just another campaign to be reported to the higher bodies. All was spent in haste. On the one hand, the advantage is that we became independent: today there is no great influence of the Ministry as it was before. [On the other hand], we do not feel ourselves like proprietors. The idea did not work for people (citation from Kulakova 2007, 61).

Among shareholders of new “private” agricultural enterprises there were many pensioners. According to Fadeeva (2003, 98), in some enterprises the share of pensioners that had land and shares reached 60–80 %. The most active employees of joint-stock companies left enterprises with the shares; the new employees did not get shares. The same situation occurred in the case region closed joint-stock company. The majority of shareholders did not work in the company; most of them did not want to sell the shares, because after that they would have to pay for the services of the enterprise in full. The management argue that they could force pensioners to sell the shares (even though there were no legal grounds for that), but they did not use such measures as the leaders could become responsible to the local community (Nikula, 2005, 36). The separation of two groups – agricultural employees and rural/agricultural shareholders – took place in Russian rural areas and had negative consequences; the hope for a strong stratum/class/group of agricultural employees-shareholders did not come to fruition.

The socio-economic crisis determined the deformation of the employees’ values. Instead of “owner’s” psychology, the market reforms contributed to the growth of alienation between the employees and the results of their work. The destruction of labour motivation led to the failure of labour discipline (stealing, drinking, illegal practices). The main motive for stealing was connected to its social justification (legitimisation): people were forced to steal to survive (Efendiev and Bolotina, 2002). These processes were especially intensive in weak agro-enterprises.

The destruction of labour motivation led to another problem – the shortage of qualified staff. Managers of many agro-enterprises mentioned “staff shortage”, “lack of responsible and skilled machine operators and cattle breeders”, “shortage of qualified specialists”, “only those who could not find another job still worked at at the enterprise”, “there are people we hired and then fired due to drunkenness, and later we again hired them because of the lack of employees” (K3, 2003, K8, 2003, K8, 2005, K10, 2005, K6, 2011).

There were two privatisations – of enterprises and of housing. Thus, the management of agro-enterprises lost the opportunity to attract young qualified specialists because neither the companies nor the employees had means to build or to buy housing,
Therefore, the shortage of qualified staff was very acute in rural areas. This problem was partially solved by the federal and regional budgets through the national project and target federal programmes.

Political and economic changes in agro-business (agro-enterprises) led to the transformation of the governance system in rural areas. First, there was a decrease in the number of agro-enterprises – strong actors in the past – and, consequently, a decline of their role in the territorial development. Second, the privatisation led to the division of labour collectives and local communities into employees and shareholders, which, in turn, led to the destruction of work motivation, deterioration of the economic situation at enterprises and the disintegration of local communities due to the growth of individualism. These processes influenced (reduced) the number of strong actors and led to the deterioration of local actor networks.

Farmers
The state policy regarding farmers changed several times in the 1990s – 2000s, which determined significant changes in the number of farms, their size and general dynamics of farming. The state policy also influenced the reasons why people became farmers. Large tax reductions and target state credits allowed private farming to be developed at the end of the 1980s – early 1990s. According to the head of the agricultural department of the municipal district in the case area (K1, 2005), there were several groups of farmers at that time. The first group consisted of people that became farmers to get a loan, a piece of land or forests. Some of them were registered as farmers until the mid 2000s, but they were not involved in farming anymore or had very limited agricultural activities. In Karelia, almost half of the farmers were in this group. The second group consisted of former managers and specialists of agro-enterprises or active “ordinary machine operators” (Fadeeva, 2003), who used power and/or knowledge to start their own farms that developed more rapidly and successfully. Sometimes they organised micro-associations/cooperatives to compete at the market.

In the mid 1990s – early 2000s the lack of state support reduced the number of people willing to become farmers (Fadeeva, 2003). Private farms without state support were something of a survival strategy for the employees of bankrupt agro-enterprises.

- **How did you come to the decision to be engaged in farming?**
- **Due to the hopelessness!** (K1, 2004)

The so-called “individual farmers” at that time wanted to work for themselves ("*They are very diligent*" (K2, 2004)). They could have 10–15–20 hectares of land and one tractor, and they produced mainly for their own consumption. Some of them were proud to be farmers: “*I am a farmer and I want to be called a farmer; I am a real farmer*” (NN3, 2008). But they did not have real opportunities for development.

In the mid 2000s, the state paid special attention to the development of small economic farms (family farms and household plots), and a new wave of young people (20–25 years old) became farmers. According to the head of the agricultural department of the municipal district under study, they were not farmers in the traditional sense “*with cows and other elements. They have one God – Money! Economic activities are much easier for them compared to those who have a cow as an icon at home*” (K2, 2004). If the business was profitable, they were engaged; if not, they changed it. For example, it was profitable to produce hay in Karelia and to sell it in the Murmansk region: empty land, skills and commodity market.
- If state farms in the Murmansk region are closed, don’t you want to start agro-production, for example, potatoes or meat? Don’t you want to remain a farmer?
- No. It is more profitable to sell, probably, agricultural machinery and to buy a second truck to be engaged in cargo transportation (K6, 2005).

So, here we could see a group of farmers, or rather “rural entrepreneurs”, engaged in agriculture on occasion.

The majority of farmers/respondents can be considered prosperous. They represent one of the most active parts of the population, perceived by neighbours as “farmers live well, but they work hard” (K12, 2005). Many farmers created new workplaces, and hired local people for seasonal work. Some rural dwellers took holidays to earn extra money at farms. Usually farmers’ basic incomes were from production, processing and trade, partially in the shadow sphere (Ovchintseva, 2000).

Thus, there were different groups of farmers with different development strategies. For some of them, farming was a survival strategy; for others, an economic activity estimated in terms of profitability.

**Entrepreneurs/SME**

*Small business is a big state concern. The more people are engaged in small business, the more stable and healthy the Russian economy is.* V. Putin (2001)

The private sector is often too “thin” in rural areas and usually takes the form of small enterprises (Jones and Little, 2000). Several factors limit the development of the SME sector in Russian rural areas. The first factor is the demographic situation in rural areas characterised by the decline and ageing of the population, and a decrease in the number of those from younger generations. The second factor is the level of rural incomes, which is much lower than in the urban areas, i.e. the purchasing capacity of the rural population is low, like the resulting consumption of goods and services. Poor infrastructure is another limiting factor. Very often rural enterprisers are located in district centres or big villages, where the infrastructure problems are not so acute and the share of the working-age population is higher. Small villages often do not have any business activities. In Russia, regardless of the state support, the new class of entrepreneurs was small and vulnerable.

Compared to farmers, who usually started business voluntary and elaborately, non-agricultural business activities often started due to the lack of other ways to earn money in the 1990s (for instance, the so-called “shuttler traders” (челноки)). Some of the rural intelligence searching for new spheres of activities and reliable income sources became entrepreneurs despite professional interests and preferences (Kalugina, 2007, 196). “They do it to support themselves and their families” (K8, 2002).

There were two main ways to enter the SME sphere. The first one was determined by previous experience: people who used to work in the trade, transportation, construction or repair started their own business in the same fields. The second way was “to start from scratch”. People studied technologies, attended business courses, etc. The website “business in rural areas” (www.biznesnasele.ru) provides examples of changing profession, for example, from pilot to flour producer, etc.

The most popular type of profitable business in villages was trade. In the 1990s, private shops were spread like “mushrooms after rain”. At first there was a poor
assortment, later it expanded. Businessmen tried to start businesses in district centres and big villages, so small and especially remote villages did not have any shops.

For villages near highways, opening a cafe or a small restaurant was a good and prospective idea. In the Soviet period, roadside cafes were not widespread, but under the changes in the Russian economy such opportunities arose. A small roadside cafe was opened in one Karelian village in 1994. At first, the owner only had a wagon. When the cafe became popular among truck drivers and tourists, he enlarged the business. In the mid 2000s, this cafe employed six local residents. The owners of the cafe define its niche as high-quality food.

Guys [truck drivers] want to eat well. They expect a proper meal of three courses. Therefore, the pizzeria on the road will not survive (K6, 2002).

Another idea was to serve food without alcohol; the cafe owner wanted to keep it as a food cafe without any risk of turning into a beer pub for the local drunkards to spend their time. That was the reason why the cafe did not have real competitors in the area; other cafes adhered to the opposite strategy.

Rural tourism is another sphere for rural entrepreneurship, which is often considered a panacea for rural development. Rural tourism in Russia has several forms evident in the municipal district under study. At the lowest level the local population uses their own houses for tourist accommodation, which gives them additional income, but does not contribute to local budgets and local development.

Small registered tourist businesses did not influence rural development either. According to the director of the enterprise, in 2001, the tax revenue to the local budget from the travel agency “Guest house” was only 8,000 RUB (approximately 323 EUR). However, there are some positive examples. One private entrepreneur was engaged in restoration of the traditional Karelian village (Kinerma, Pryazha district) with its official historical status. Her activities included not only accommodation and meals for tourists, but also excursions, traditional Karelian meals, a smoke sauna, etc. There were also master-classes and festivals, for instance the “Axe Festival”53. All these attracted visitors, created new workplaces for local residents, supported local crafts and ensured additional incomes. Thus, the tourism developed in the area, but it did not facilitate local development.

The above-mentioned services (trade, cafe services and rural tourism) were the most developed rural entrepreneur activities in many regions. There was an evident “over-representation” of small enterprises in trade and catering. Thus, the Russian market economy resembles a kind of bazaar economy based on circulation rather than production (Nikula, 2005, 159).

The geographical factor also influenced the development of the SME sector. Karelia is a forest region with specific business priorities such as wood production, timber harvesting (the municipality was responsible for the firewood and placed municipal orders so that entrepreneurs prepared firewood and delivered it to the local population, mainly pensioners), construction and reconstruction of houses, gathering and processing of forest “gifts”, working on sawmill, etc. In the Republic of Yakutia (Sakha) there was a specific business – the preparation and transportation of ice for household consumption.

Although there were special programmes for the development of small business, entrepreneurs did not have the same state support as farmers at the beginning of the 1990s. According to Fadeeva (2003), only 10% of non-agricultural entrepreneurs received credit at that time.

Thus privatisation and private property determined the emergence of new rural actors – entrepreneurs and farmers. Their role in the governance system was weak, and they played a minor role in local development. Even these new groups were vulnerable; they were active, creative, dreaming, looking for new ideas and new spheres for activities.

5.1.5 Civil society/NGOs

In Russia, the concept of a “civil society” became popular in scientific and everyday discourse under perestroika. However, there is still no common understanding of the term. There are also different similar terms: “NGOs” (non-governmental organisations), “third sector”, “voluntary sector” and “non-profit sector”. I will use the terms “NGOs” or “civil organisations” (formal and informal) for the organisations operating in Russia. I consider the terms “NGOs,” “non-profit sector” and “third sector” to be synonyms, which is typical for Russian works on civil organisations.

My definition of rural NGOs does not limit them to the geography of rurality. Rural NGOs are not necessarily located in rural areas, even if they deal with the development of rural territories. Rural NGOs can work in villages, in districts or regional centres or even at the federal level – in Moscow.

Federal level

There are such civil organisations as the Association of Peasants (Farmers) and Agricultural Cooperatives of Russia (AKKOR) and the Agro-industrial Union of Russia. According to Wegren (2006, 134), AKKOR is the key institutional agent representing rural policies of Moscow reformers. State subsidies and credits were allotted through local branches of AKKOR (Wegren, 1998, 191–193); AKKOR participated in the priority national project “Development of Agro-industrial Complex”, etc.

Despite the fact that AKKOR was established at the federal level, it is a multilayer structure (federal, regional, local) that can theoretically reach villagers. The AKKOR website mentions that it consists of more than 600 farmers’ regional organisations, which, in turn, include more than 93,000 farmers. Anyway, in my study regions in non-black earth zone, none of the respondents/farmers knew about AKKOR, even in those regions where regional associations of AKKOR were established.

From the very beginning, AKKOR’s aim was to unite small agro-producers. It was a formal professional organisation that played a mediating role between agrarian society and the state. Its main goals were to assist in developing and implementing the state agrarian policy, to provide consultation services for small agro-producers, to assist in developing state-private partnerships, to participate in improving the legislative basis of agricultural and rural development, etc.

54 See more about AKKOR in Wegren, 2006 or on the website of the association, http://www.akkor.ru/ (23.07.2010).
Other examples of federal-level organisations are unions for pensioners, veterans, women, etc. Like AKKOR, they all had a multilayer structure and soviet background.

The Veterans’ Union is an all-Russian civil organisation. Its main goals are very ambitious: to join forces of veterans to protect civil, political and social rights and freedoms, to promote the democratic development of Russia, to strengthen the country’s economic and defence potential and international prestige, etc. The list of tasks was rather long, but priority was given to the task of uniting veterans for joint social activities, and strengthening veterans’ friendship, cooperation and mutual assistance\textsuperscript{55}. Like AKKOR, the Union has regional branches, which work with regions more actively than AKKOR. At the municipal level, including rural areas, there are also active branches of the Union.

This Union and other similar organisations were undisputed representatives of civil society in Russia at both practical and political levels. There were both leisure activities and actions protecting rights and interests.

Community foundations (CFs) are another example of an organisation at different levels (region, city, district, settlement)\textsuperscript{56}; these are philanthropic, non-profit, grant-receiving organisations, independent of the state or other donors. The mission of these foundations is to improve the quality of life of the whole community by solving urgent problems of the local territory. In 2013, there were 45 CFs and 13 other organisations in Russia based on the model of community foundations (Local philanthropy, 2014, 4).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{Territorial types of local community funds.}
\label{fig:community_funds}
\end{figure}

Source: Local philanthropy, 2014

In the Nizhny Novgorod region the local community fund the “Partners’ Council” was established in January 2004. In the next three years the fund implemented five grant programmes and financed about a hundred projects for 25 million roubles.

\textsuperscript{55}See the charter of the Union.

\textsuperscript{56}The idea of community foundations was brought to Russia by the Charities Aid Foundation (CAF) in 1995. See more on the website: http://www.cafrussia.ru/
The projects mainly focused on social support and social protection, medical care, education, youth policy, culture, urban planning and communal services. The main target groups were veterans and pensioners, disabled people, children and young people.

Until autumn 2006, the Department for International Development (DFID) financed almost all grant programmes, though there were some local resources too. After the completion of DFID support, the main task of the Partners’ Council was to create new mechanisms to maintain the financial stability of the fund and their grant programmes in the future.

Thus, community foundations like the one in the Nizhny Novgorod region were civil organisations that distributed grants, supported charity and played a unique role in the relations between the state, business and society. Under the growing gap between the scale of problems and opportunities to solve them, these funds played an important role in the local development.

**Municipal level**

At the district level, there were different types of civil organisations involved in the rural development. As Figure 11 shows, 29% of community foundations worked at the level of municipal districts.

The Charity Development Fund of the Sorokinsky district of the Tyumen region represents a community foundation at district level. It was established to support civil initiatives for solving social problems in the territory. The Fund developed grant programmes, but the financial conditions were unstable. For example, in 2011 there was a competition for youth initiatives, “The road of goodness”: eight projects for 78,000 roubles (approximately 1,950 EUR) in total were supported, i.e. less than 10,000 roubles (approximately 250 EUR) per project on average. In 2012, the same competition supported only three projects for 10,000 roubles in total.

At the village level there were also community foundations, different clubs, etc.

CAF of Russia\(^{57}\) contributed to the development of rural community foundations. In the early 2000s, it implemented a project on the development of CFs in Russian villages. The results of the project showed that achieving tangible results took a much shorter time in rural areas than in urban ones. In addition, the sustainability of the results was also higher. At the same time, the villagers asked for smaller sums to implement their ideas than regional or federal budgets provided due to the minimal administrative costs and maximum use of local resources and voluntary work of rural dwellers (Local philanthropy, 2014).

Let us take as an example of a community foundation the local fund “Perspective” in the Maiminsky rural settlement (Republic of Altai, Maima village). The fund focused on a variety of charity activities (such as a charity concert to raise money for a child for treatment abroad), music and sports competitions, different activities for children and adults, and small projects to help the needy. In addition, the fund took part in various seminars on the development of charity organised by CAF and other organisations. These workshops supported the interest in civil initiatives and charity. The work of this rural foundation was similar to the traditional rural club that usually offered cultural and leisure services to the rural population.

\(^{57}\)http://www.cafrussia.ru/
Many registered and non-registered organisations in Russian villages kept up the Soviet traditions of civil activity – women’s, veterans’, sports and children’s clubs, organisations for disabled people, youth councils, choirs, etc. Some of these clubs were budget organisations, like children’s dance clubs, art schools, sports groups and schools; others (it is difficult to estimate the share) did not have state support or funding and acted on their own initiative and in their own interests.

Quite often women’s clubs played the most important role in local development. In the 2000s, there were 17 women’s clubs in the Olonets district of the Republic of Karelia. They participated in different cultural, social and leisure activities in their villages. For example, one village women’s club organised a handicraft course for the unemployed.

_There are not enough workplaces in the village. So, our main task is to find ways to earn some additional money ourselves and then to teach people_ (K3, 2002).

Activists organised different festivals, lectures and free lunches for the poor, helped families with children and tried to solve local problems.

_There are many problems in the village: the well, the sauna has not been working since last year, the youth are leaving the village. We want to participate in solving local problems. We want to improve village life_ (K20, 2002).

At the federal level, there was a Union of Women of Russia. At the regional level, there were regional unions like the Karelian Women’s Union. They looked like elements of the same network, but local women’s clubs were often independent and did not get any support “from above”. They tried to find resources at the local level (administration, business); the most active applied for funding in different grant competitions.

A similar example can be found in sports. The volleyball club “Olonia” (Olonets municipal district, Republic of Karelia) was a member of the All-Russian Volleyball Federation. The club was established for all “who are interested in volleyball, who like volleyball” (quote from the club’s vk.com page). The club organised local training sessions and competitions with clubs from nearby areas. There are no links with the Federation.

The most active links between local, regional and federal levels were established in the Union of Pensioners and Union of Veterans. Local organisations of these unions actively participated in the local development with regional and federal support, though they did not have strong links with the higher levels. The most active communication was between regional- and federal-levels organisations.

Thus, the role of the non-governmental, non-profit sector in Russian rural areas was not as limited as it seemed. Russian rural civil society, on the one hand, consisted of many small independent and usually informal elements such as clubs and other local organisations; on the other hand, there were multilevel All-Russian organisations combining a lot of small elements. NGOs of the federal level were very formal and professional; they attempted to exert political influence and had a huge number of members, though they lacked relations with the local level.

This type of civil society looked like Liborakina’s (1996) sandglass: communications between the top (federal NGOs) and bottom (ordinary members) were limited. NGOs of the non-federal levels were problem-oriented NGOs. The given examples of regional-level NGOs present formal and professional organisations aiming to
solve the socially significant problems of the region. NGOs of the municipal district level were closely connected to the local population, were aware of local needs and helped to solve local problems. At this level, the partnership relations were dominant; organisations were more or less independent. NGOs at the municipality (villages) level were mainly Soviet-type organisations. There were different informal social groups with non-political aims such as clubs for sports’ fans, poets and amateur actors as well as basketball and football players, etc. The role of women’s clubs throughout Soviet history as a pressure group was significant, but became limited in the period under study. The political role of rural women’s clubs was very limited, but they offered useful services not only to local women but to the whole rural community.

In Russia, rural NGOs (they work in rural areas) can be divided into two groups: those with political influence and those engaged in the service sector. Thus, the main principles of civil society were divided between different levels of rural NGOs. As a result, there were serious limitations in the governance system of Russia. Within the civil society there were not enough links between different levels; elements of civil society were isolated and did not form a unified system that could influence local development.

5.1.6 Foreign partners

In the scientific and everyday discourse, the term “foreign partner” denotes mainly business partners. In the case regions there were a lot of representatives of foreign business companies, especially in the Republic of Karelia as a border region. Foreign business partners participated in the local development, often through the so-called practices of “administrative paternalism” – a way of encouraging enterprises to be “socially responsible”. In terms of local development, there is another term for this actor – “foreign donors”. Vocabulary on the topic includes words such as “charity”, “philanthropy”, “sponsors”, “grants”, “projects”, “funds”, etc. Thus, we are talking about foreign aid to Russian citizens and organisations.

The goals of foreign funds/donors in Russia were different and changed with the general situation in the country. In the 1990s, many funds tried to help solve urgent problems. When the state ceased financing science, the Soros foundation supported Russian science. When the state ceased financing libraries, there were programmes to help the libraries, etc. These programmes replaced public funds (Kortunov, 2005). In addition, foreign funds tried to create a model for charity in Russia that could be used as a basis for the development of the Russian third sector. CAF and its community foundations are an example of such organisations.

In the 2000s, the state sharply intensified its activities in the social sphere, which reduced the value of many Western programmes. The FL “On Modification of Some Acts of the Russian Federation” (2006) toughened the administrative and financial regulation of the activities of Western funds in Russia. Such measures were explained as an attempt to prevent the sponsoring of political parties and extremist organisations from abroad. Thus, the Western help to Russian citizens and organisations declined.

58 As early as 1919 the party approved the establishment of the Women’s Department of the Central Committee Secretariat, which was subordinate to the party committees at the corresponding levels and intended to work with women according to the goals of the political regime (Buckley, 1989, 65, 70, citation from Evans, 2006, 33).
Many of the so-called “Western” funds aimed to develop a market economy and democracy by supporting SMEs, democratic institutions, a lawful state, civil society and local self-government reforms.

For example, among the main programmes in the Republic of Karelia one can name TACIS (Technical Assistance to the CIS). Let us consider several projects financed by foreign actors and implemented in rural areas of the case study regions. The project “Non-agrarian development of rural areas” was implemented in the South Karelian municipal districts with the support of SIDA (Swedish International Development Cooperation Agency) and the Ministry of Foreign Relations of the Republic of Karelia. The general aim of the project was to promote the development of selected municipalities and to provide the local population with opportunities to influence their future. The project started in 1997 in the Pryazha district. Later the Olonets and Pitkaranta districts (2000), and the Suojarvi and Medvezhegorsk districts (2005) joined the project.

In 2003–2006, the project “Rural development in South Karelia” was implemented. It consisted of four components: grassland management, small-scale tourism, traditional handicrafts, and environmental education and public awareness. The main idea of the project was to support the wide range of activities aimed at the sustainable development of the district. The specific project aim was to increase the economic interest of the local people and, thus, their involvement and motivation in preserving local natural treasures. The project emphasised training and dissemination of the ideas of nature preservation and sustainable quality of life. Among the main goals of the project were mobilisation of local resources, and the creation of workplaces in agriculture and other sectors of the economy (crafts, culture, tourism, restoration, etc.). Another aim of the project was to increase the economic interest of the local people and their participation in the project, though the participation was often neither representative nor binding (Mosse, 2001); the project did not lead to intensive and widespread local development.

Another example of active participation of foreign partners in local development was the “Ladoga Initiative” project in 2011–2013 in three municipal districts of the Republic of Karelia and the Leningrad region. The main aim of the project was to promote rural development in the chosen Russian regions on the basis of knowledge (LEADER approach). Another goal of the project was supporting local bottom-up initiatives to strengthen the sustainable rural economic development. This was to be achieved through knowledge transfer and partner networks from both sides of the border, by promoting cooperation at the local level, establishing and developing partnership relations, and increasing the awareness of the local population and authorities of the needs and opportunities for local development.

The LEADER approach was tested in the Ladoga area. Three local action groups (LAGs) were established in Russia. LAG boards developed Local Development Strategies to select the priorities for every territory. In total, there were 48 applications

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61 The acronym LEADER comes from the French “Liaisons Entre Acteurs du Développement Economique Rural”, meaning “Liaison Among Actors in Rural Economic Development”. The bottom-up development methodology enlists the energy and resources of all who can contribute to the rural development process, by forming partnerships at a subregional level between the public, private and civil sectors (Wade and Rinne, 2008).
aimed at the development of local communities, and 30 of them were approved. As a result, in 27 villages from three municipal districts, local development projects were implemented.

The project had rather ambitious goals: educative, activating and transformative. The educational goal suggested knowledge transfer from Finland to Russia through training with local activists and local action group coordinators. The activating element suggested encouraging local residents to become more interested in their affairs and joint activities through village meetings. The transformation element was about new modes of governance, a bottom-up approach, the development of partnership relations and negotiating the conditions for equality.

The educational aspect of the project was successful in most respects. The project participants evaluated the training as being very informative, well organised and efficient. It was useful to get a general understanding of the Leader ideology, project work and how to write applications. For many participants the project culture was quite new. One important result of the training was that local activists acquired project skills, learned how to write an application, calculate a budget, create a timetable, etc. Thus, the local actors participating in the Ladoga Initiative project learned how to collect ideas and write them down to apply for funding.

The activating goal was partly successful. The project had several steps to reach this goal, but the main one was village meetings to announce the idea of the project, to discuss villagers’ problems and needs, to make a list of development priorities for every rural municipality participating in the project and to nominate candidates for the local action groups. Twenty-seven village meetings took place in the project area, but the goal was only achieved partly due to the relatively low participation of local residents. The participants were mainly elderly, women and representatives of the social sphere. The project did not succeed in involving young people and entrepreneurs. At the next stages of the project the results of the activating goal improved because of word-of-mouth communication among villagers, especially during joint work. At the stage of the realisation of projects by local communities, in some projects the key activists were representatives of local business. Thus, the activity goal represented an attempt to engage and empower the local community.

The results of the transformation goal were evident at different stages of the Ladoga Initiative project, during the realisation of mini-projects of local activists. They learned not only about project bureaucracy and paperwork, but also about cooperative, participative and inclusive work. As a result, playgrounds, sports grounds, reconstructed gyms, cultural clubs, etc. were opened in rural municipalities of the project area. Many events, such as festivals, concerts and master-classes for the unemployed, took place in selected communities. So there was a commitment, a desire to act and cooperation at the local level. The results of the training and the project in general became evident later. Some participants used their new experience to apply for funding for community development.

Thus, since 1990, foreign partners have influenced significantly the development of democratic institutions in Russia. Their impact has been evident in the development of the local government system and civil society, in empowering local populations, in establishing partnership relations and in changing the governance system in general. However, this process progressed unevenly across Russia. The democratic landscape based on foreign assistance was more visible in border areas like the Republic of Karelia and did not reach remote places like the Sakha Republic (Yakutia).
5.2 INTERACTIONS AMONG ACTORS

Well, the vertical of power was built, so the basis already exists, and this 131 law... I believe the local administrations should play a key role in the development of the territory (NN, fg1, 2009).

At the local level the communities should be studied based on the analysis of both formal and informal institutions. Informal institutions/rules “are traditions, customs, moral values, religious beliefs, and all other norms of behaviour that have passed the test of time. Informal rules are often called the old ethos, the hand of the past, or the carriers of history. They embody the community’s prevailing perceptions about the world, the accumulated wisdom of the past, and a current set of values” (Pejovich, 1999). Thus, informal institutions are the part of the community heritage that we call culture (North, 1990). Weak formal institutions make respondents rely on informal institutions (Moers, 2000). In Russia, informal institutions often play the most important role in establishing relations/interactions among actors.

In this part, attention is paid to the transformation of interactions between social actors that led to social changes and social (in)stability. The interrelations of actors often depend on the activities of specific social actors that take responsibility for coordinating activities and forming cooperation (as our research shows, quite often this depends on the private initiative of a person regardless of his official status).

In the changing institutional environment, every actor (stakeholder) tries to define the new environment, to know about other actors, their preferences and possible behaviour. Such information helps the actor to choose his own line of behaviour, his own strategy in the new environment (North, 1990, 14).

5.2.1 Relations between local government and local community

It is not their fault, it is their big trouble (K4, 2011)

The relations between these two local actors are determined by legislation, especially FL-131 (2003), which identifies the functions of local self-government and different forms of participation of the population in local development.

The majority of interactions between these actors based on the functions of local authorities as the local population addresses on different issues of everyday life.

Someone has no running water, someone has no electricity. Mainly these are local issues (NN1, 2008).

There are deputies in every village around here. In every village, there is an elderly person who can come here and tell us what is wrong with the village. The issues are quite diverse: from the drunken fight or a scandal with neighbours to the division of plots, funerals, everyday life issues… Everyone can come to the village council with any problem. There is a book, in which all citizens’ appeals are registered. We control carrying out the assignments (NN4, 2008).
In some cases, the local authorities helped the population with selling agro-production, buying fodder, transportation, etc. Such help is described on the information stand of the local administration.

*We are more informed than, for instance, the inhabitants of remote villages; we know who comes here, who purchases meat, potatoes and honey. We share this information with people (NN1, 2009).*

In addition, there is information about rural meetings, new legislative acts, reports of the local administration, etc. However, such informational services are not widespread.

The development of credit cooperation set the new task for the local governments. They had to make recommendations to local inhabitants regarding obtaining loans for the development of household plots or family farms.

*A person that wants a loan for the development of a household plot doesn’t know all the conditions. We provide legal assistance to such persons. To get a loan a person needs a recommendation from the rural administration. We know the population well: who is solvent and able to pay the loan back. We sign all papers and we bear a part of the responsibility (NN1, 2009).*

In general, the list of population appeals to the local government can be divided into several groups. There are everyday issues such as certification, help with funerals, some urgent problems, information dissemination, etc. The second group can be called “constant pain”, and this includes communal services (heating, water supply, winter road cleaning, etc.) and housing (repair, etc.). The last group consists of a changing list of issues differing from one village to another (or from one district to another), from time to time and according to the current village/district problems. One year there was a problem with kindergarten places, and the majority of appeals were about this problem. Next year there were problems with wells, etc. The changing list of issues is prepared by many heads of rural municipalities (see, for example, K2 2005, K3 2008 and K3 2011). The most urgent issues (see, for example, K1, K2, K4, 2011) are house construction, land allocation, privatisation and building permits, which are determined by the growing interest of urban dwellers in having a house in the countryside and by the state programme for the development of rural areas (housing for young specialists and many-children families).

The local authorities and local population evaluate the work of local government very differently. According to the administration members, the local government works hard, has too many duties and is unprestigious. Villagers’ opinion is different: they want to see rural authorities more often, so that they can feel their interest in local issues and work more actively and in close cooperation with local people. The local authorities can play an extremely important role in small villages with no enterprises. The administrative staff were surprised to find such a request “from below” as they believe they already work closely enough with the local population.

*How can we be closer? If only to kiss… (NN, fg4, 2009).*

In rare cases the villagers evaluate the work of local authorities positively, saying that they played an important role in the local development. Often such an evaluation is
made not of their own local authorities, but of their neighbours’ administration or some “known cases”.

The opposite attitude is that the local authorities play an insignificant or passive role.

*I do not think it does anything. It does not have any other role than some “improvements”* (NN4, 2009).

People think that the local authorities cannot do anything because they do not have the necessary resources. Deputies were a part of local self-government, elected by the local population. However, in many cases the deputies were representatives of the social sphere and it made no sense to ask them to solve the problems.

*I hardly ever ask them [local authorities] for help. What is the point? Only to get a certificate* (NN4, 2009).

*Have you ever addressed the administration with some personal issues? No, I will not even if I have problems.*

*Why? It is not their fault, it is their big trouble* (K4, 2011).

Additionally, people were often not aware of the routine work of the local self-government. They used to receive some services and did not see them as the work of local self-government. However, many local residents could not evaluate the work of local authorities because they (population and administration) lived “parallel worlds” and did not have any connections.

- Does the administration organise meetings and discussions?
- It does, but I have never attended any and cannot say anything about it.
- Do they publish their charter and budget?
- There is sometimes a special piece on this in the district newspaper.
- Have you ever listened to the report of the deputies and the head of the administration?
- I have not been at those meetings. They make speeches and present reports in the club, but I have never been there.
- Do you think the villagers are interested in what the administration is doing?
- I think that people have become indifferent to what is going on, because there is no development anyway (NN4, 2009).

The concept of “parallel worlds” is not an indication of the poor work of rural governments; it rather reflects the lack of local people’s interest in the territorial development. The majority of rural people were not interested either in the work of local authorities or in village life in general. Local people seldom participated in the village meetings; they were not interested in the local self-government.

*I have never gone deeply into the politics, I have lots of my own concerns* (NN4, 2009).

Rural populations participate in village life only by necessity; people unite only under great grief or great joy, while in “peaceful times” they do not consider it necessary to participate in village life and focus on solving their own problems.
If something is wrong, people are active. For instance, the water pipe doesn’t work or there is no light... But in general, if everything is fine one would not see any activity from the local people (NN5, 2008).

People come here only when there is a problem: something has happened and they need a subsidy or a certificate... They tell us at once what happened and where. There are also people who take an active position. They are not idle and ask us to do something: to plant flowers, to make an alley, to build small bridges. Certainly, such people are few and far between (NN1, 2009).

According to FL-131 (2003), the local population can participate in local governance in different ways: local referenda, municipal elections, voting, village meetings, law-making initiatives, territorial self-government, public hearings, moots, public conferences, surveys, appeals to the local government, etc. (see Chapter 5, articles 22–33 of FL-131). The legislature defines the framework of the local governance system, in which the role of both local government and the local population is described. The law provides the local population with means of active participation in the local governance. All these forms of participation are top-down and defined politically.

**Local referendum**

Local referenda are a democratic institution aimed at the solving of issues of local importance directly by local people. The decision to hold a local referendum is made by the representative body of the municipality on the initiative of citizens that have the right to take part in such a referendum.

Different issues of local importance were resolved by referenda. In 2001, in the Olonets district of the Republic of Karelia, there was a referendum on changing the name of the municipality. The idea was to add an ethnic attribute to the name of the municipal district, whose share of the Karelian population was 64.8 %. “Olonets municipal district” was to be changed to “Olonets national municipal district”. The referendum was held, but only 18.49 % of the population participated; thus, it was not valid. However, today this municipality’s official name is “Olonets national municipal district”. The question is: “How was this done?” In June 2004, the district’s name was changed by a decision of the Council of Deputies. This became possible after the Law of the Republic of Karelia “On Legal Status of National District, National Semi-urban and Rural Councils of the Republic of Karelia” was adopted. Thus, the required results were achieved without the population voting.

In 2009–2010, there was a wave of referenda on the enlargement of rural municipalities; the Nizhny Novgorod region was among the leaders of this process. According to FL-131, the approval of the local population (local referendum) was necessary to join municipalities. The main arguments for such enlargements were the reliable revenue base for local budgets, and optimisation of the management structure to improve manageability and reduce administrative costs. In rural municipalities of the Semenov district (Nizhny Novgorod region) a referendum was held and had striking results: more than 50 % of voters participated and the share of supporters of enlargement varied from 78 % to 96 % in rural municipalities, while the average participation in local elections was about 30–40 %. All the planned enlargements in the Semenov district were carried out because the state got the required result. In some regions, the enlargements were not accepted smoothly due to the number of votes against them or because of a low voter turnout (less than 50 %). This problem was
solved by amendments to FL-131, according to which a referendum was no longer needed for enlargement or other changes to municipalities’ borders. The decision of the representative body of the local government was enough. A new wave of enlargements took place in 2011. As a result, the Semenov municipal district, which had 18 municipalities (16 rural and 2 urban), disappeared from the map and instead of it the city district was formed as a united territory. So the enlargement came to an end, and wide rural territories received urban status. The state authority had got the expected result.

The list of questions to be resolved by the local referendum (direct democracy) was seriously reduced. The majority of decisions were made by the Council of Deputies. Thus, the general tendency set by the state was the replacement of direct democracy with a representative one.

**Municipal elections**

Municipal elections are also an institution of direct democracy.

> The population does not understand what kind of elections take place, whom they elect. Besides, people are tired of experiments. There is one more problem. When federal or regional elections take place, there are a lot of advertisements, TV programmes and information in newspapers. But at the local elections there is nothing. Just several small articles were published in the local newspaper. That’s all. The result is a low voter turnout at the local elections (K3, 2008).

According to the head of the rural municipality, there were several reasons for the low voter turnout at the municipal elections. The first one has already been mentioned – there was not enough information about elections, candidates, their programmes, etc. The second reason was the lack of trust in the institution of elections in general. People were tired of elections and political promises. Another reason was not political – it was the inconvenient time of the elections, i.e. the dacha and forest season, for gathering berries, mushrooms, hunting and fishing.

**Voting**

The next form of direct participation of citizens in local self-governance was voting to elect/reelect the deputy, a member of the local self-governance elective body, a local self-government elective official; to change the municipality boundaries; or to reorganise the municipality.

In the Republic of Karelia, there are several examples of such voting. Usually such voting was based on “failure to act”. For example, a head of one municipality was suspended from office by a decision of the local Council (of deputies). He was accused of disrupting the heating season: the boiler was not ready to work, the fuel had not been delivered and the heating system had not been repaired. As was mentioned in Chapter 4, such measures were often used to dismiss disobedient heads/mayors.

**Meetings of citizens**

Citizens’ meetings played the role of the municipality’s elective body and solved issues of local importance in communities, with the number of citizens eligible to vote not exceeding 100. The meetings were valid only if more than half of the voters were present. The meetings were organised by the head of the municipality on his own initiative or on the initiative of a group of no fewer than 10 community members.
The participation of elected members of the local self-governance was compulsory. The decisions of the citizens’ meetings were accepted only if more than half of each meeting’s participants voted for it, and they had to be published and implemented in the community.

This legal form of participation was designed only for small villages, but became the main form of participation of the local population in local self-government based on tradition62. “Rural meeting” is an idiomatic expression for traditional village gatherings to discuss and solve village problems. The legislation also defined another form of meeting – moots (see below), which were the same rural meetings but for larger settlements.

**Law-making initiative of the citizens**

This type of initiative could be proposed by a group of citizens eligible to vote. The minimum number of citizens in the initiative group was determined by the administrative legal act of the representative body of the municipality and could not exceed 3 % of the total number of the municipality’s voters.

A draft of the municipal legal act introduced by the citizens was a subject of compulsory consideration by the local self-government body or an official with the authority to adopt such acts within three months after the draft’s introduction. The representatives of the initiative group were to be given an opportunity to express their position during the consideration of the draft. This form was very rarely used by the local population.

**Territorial civil self-government**

Territorial civil self-government (TCS) is a form of self-government at the place of residence of the community aimed at the implementation of issues of local importance under residents’ responsibility. TCS can be carried out by the following groups: blocks of apartments in an apartment building; the whole apartment building; a group of houses; a micro-district; a rural place that is not a rural community, etc. TCS bodies of are represented by meetings or conferences of residents of the territory.

TCS bodies represent the interests of the territory’s residents; ensure the implementation of meetings’ and conferences’ decisions; conduct economic activities aimed at improving the territory and at satisfying the social and everyday needs of residents either at their expense or with the agreement of TCS and local self-government (local budget funds); develop the drafts of municipal legal acts for the bodies of local self-government.

In the case regions there were a few examples of active TCS. In Karelia, they were established in the early 1990s, but then they gradually stopped their activities. FL-131 provides the legal basis for this form of civil public participation. In the interviews in Karelia (2011) the majority of respondents had never heard about TCS. The local press and academic publications prove that there was TCS in Karelia, but as an exception rather than the rule. In other Russian regions the TCS developed and worked actively, but the process was slow and unclear.

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62 A village meeting or assembly was a peasant self-government body in the second half of the nineteenth – early twentieth century. It united all household owners (peasants) of the rural society to elect the village headman and other officials. Village meetings had legal and police powers and took place in the Soviet period too.
At the beginning, because of the lack of experience, the TCS did everything including what the local administration had to do. The TCS did not understand what they had to do. Now we understand better and do not duplicate the functions of the local administration like cleaning the territories and garbage collection, street lighting, etc. Today the TCS organise the clubs according to the interests of the children and elderly. We are a form of public control, we participate in local and regional elections, we lobby the interests of the territories and make legislative initiatives. All this is done not to oppose and then compromise the local and district authorities, but to cooperate with them (NN3, 2008).

The Arkhangel Region is one of the Russian regions with the developed system of TCS from the 2000s.

Public hearings
The head and (or) the representative body of the municipality could organise public hearings in the municipality to discuss the drafts of municipal legal acts on the issues of local importance. The hearings were held on the initiative of the people, the representative body of the municipality or the head of the municipality. Public hearings were for discussing the drafts of the municipality charter; the drafts of the local budget and reports on its implementation; drafts of municipal development plans and programmes; drafts of land use and construction regulations, etc. As a rule, public hearings were about budget issues. They were open to the public; information was published in local newspapers. However, only a few local residents attended such hearings (only two to three people come (K2, 2011)).

Moots
The moots were for discussing the issues of local importance, and for informing the population about the work of the bodies and officials of local self-government. The moots were held on the initiative of the people, the representative body of the municipality or the head of the municipality.

In every village, the moots discuss fire safety, cattle grazing and everyday life issues (NN4, 2008).

The chapter of the local government sets the timetable for reports to the public – once or twice a year. For example, the Olonets district administration reported twice a year. At the moots, the local administration reported on the socio-economic situation in the district and perspectives for its development. Local people could raise questions, which mainly considered communal services, support of SMEs, the development of tourism and the attraction of investors (K2, 2011). However, few people attended such meetings.

Conference of citizens (delegates meeting)
The conference of citizens is defined by the charter of the municipality and/or administrative legal acts of the representative body of the municipality. In the case regions this form of participation in the everyday life of the rural population was not used.
Surveys of citizens
Public opinion surveys were conducted in the municipality or in its different parts to identify people’s opinions and to take into account the decision-making by the bodies of local self-government, officials and government agencies. The results of these surveys had the status of recommendations. Public opinion surveys on issues of local significance were conducted on the initiative of the representative body of the municipality or the head of the municipality. There are rare examples of surveys initiated by the local self-government.

Appeal of citizens to the local self-government bodies
Citizens have the right to make individual and/or collective appeals to the local self-government bodies and be considered according to the procedures and terms defined by Federal Law № 59 “On the Procedure of Considering the Appeals of the Citizens of the Russian Federation”.

The majority of the heads of rural municipalities had a timetable for visits; however, local people could come at any time and even call the head at night (NN4, 2008).

Often people did not want to deal with the local authorities because they did not trust them or/and were desperate to find a solution for local problems and appealed to higher levels. People wrote complaints to the President or the Prime Minister: “If I write to the president, they will begin to work right away. If I do not, nobody will ever do anything” (K6, 2011). However, such appeals did not always improve the situation.

It was a spontaneous decision... I wrote to the Prime Minister Vladimir Putin at the website... That was the last straw... I wrote about the conditions in the children’s hospital, the problems of the school, about the cultural centre. It was too cold there... I got the answer: “Your letter has been sent to the Ministry of Health Care, the Ministry of Culture and the Ministry of Education of the Republic of Karelia...” Last week I was invited to the deputy head of the district administration. There was an interesting lecture about things being done and the money being allocated. They said I did well as I cared about my community. But they did not give any answers... I am waiting for the written reply from the authorities – I will scan it and send it to Vladimir Putin... (K7, 2011).

One interesting case was with a letter to Vladimir Zhirinovsky. It was a complaint about roads not being cleaned in the village, especially a small road to the author’s house. She received an answer from Zhirinovsky. It was money with a small note “Take this 500 roubles [approximately 11.5 EUR], rent a tractor, clean the road and do not curse the local authorities” (K3, 2011).

According to Pozdnjakov (2006), the institution of people’s appeals to the authorities fulfils three functions. The first one is that citizens’ requests are the only means to protect their rights. The number of requests did not decrease from year to year, even though more than 70 % were not considered in due time or got lost between different agencies63. The next function was providing information. For the authorities the requests were a valuable source of information about the local problems. The analysis of requests could give valuable information on the difficulties faced by people. And the third function was communication: people’s requests were the means

63 According to Podyachev (2007), there were 216,000 requests to the President in 1994, 274,000 in 1998, 329,000 in 2000, on average about 300,000 annually between 2002 and 2005, and approximately 400,000 in 2007.
of communication between the state and the population, a channel for the people to influence the authorities’ decisions and to take part in the decision-making.

According to Pozdnjakov (2006), citizens learned democratic procedures while trying to influence the actions of authorities through the requests institution in order to promote their interests, though these interests were not political.

Thus, there were different forms of the participation of the local population in self-government according to the legislation, though the participation rate was very low. There was a lack of readiness/willingness to take part in collective actions “from above” (top-down approach). The majority of the local population did not interact with the authorities on their own initiative to coordinate their interests; interaction took place only when there was a strong need to get some real help from the authorities. There was limited interest on the part of the local population in discussing economic, democratic and social development.

The case regions indicated several reasons for that. The forms of participation of the population in local self-government were defined by the legislation as top-down and politically coloured possibilities. Elections, voting, law-making initiatives and public hearings did not attract the apolitical rural population. Local people did not want to be in touch with any authorities and did not make any difference between the state and municipal authorities. People did not trust any institutions, including those mentioned in FL-131 (so-called local democratic institutions). In addition, the lack of democratic practices in the market-based society (Hollis and Plokker, 1995, 21) was a deterrent – a restrictive threshold for active participation.

The forms of participation defined by the law were very far removed from the everyday life of the rural population. Some respondents explained their indifference to public affairs, saying that the problems of political, social and economic development in Russia were too huge and beyond the control of the local population. Besides, the elections did not bring any changes, the rules of referenda were changed as the state wanted, and the laws did not work. The local people did not see any chance of influencing the situation, and their pessimism grew. Since the Soviet period, paternalism has become the main form of interaction between the state and the population (“from them and only them is it possible to get something” (K9, 2011).

Similar reasons for the low participation in local self-governance were identified by Mersijanova (2008). The question was asked: “What prevents the active participation of the population in solving problems of local importance?” (Table 17).

Table 17. Reasons for population not to address issues of local importance, %

<table>
<thead>
<tr>
<th>Reason</th>
<th>Members of local self-government</th>
<th>Local population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habit of hoping for everything to be provided</td>
<td>74.2</td>
<td>21.0</td>
</tr>
<tr>
<td>Indifference to public affairs</td>
<td>54.8</td>
<td>28.0</td>
</tr>
<tr>
<td>Lack of knowledge and incompetence</td>
<td>48.4</td>
<td>21.0</td>
</tr>
<tr>
<td>Disbelief in the possibility of influencing the decision-making</td>
<td>45.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Individualism (“every man for himself”)</td>
<td>44.9</td>
<td>33.0</td>
</tr>
<tr>
<td>Lack of time, overemployment</td>
<td>15.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Distrust in local government</td>
<td>11.4</td>
<td>23.0</td>
</tr>
<tr>
<td>Lack of organisation</td>
<td>10.4</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Source: Mersijanova, 2008, 54
The table reflects disbelief in the possibility of influencing the decision-making as the main reason for low participation. The local government itself did not see any possibility of changing the situation. Within the existing governance system neither the local population nor the local government could improve the socio-economic situation in local communities; thus, individualism was the only way to take care of oneself and the life of the family.

Among factors determining the low participation, members of local governments mentioned relying on somebody, usually on the state (hope to get everything ready), indifference to public affairs and a lack of knowledge. I believe that indifference to public affairs is not a reason, but rather a consequence of years of reform.

However, even with the low political awareness, in every village there were active people ready to take the initiative for local development. The lack of trust in formal institutions determined the trust in informal relations and norms. Small communities were more united; they had common interests and clearer common goals. Women were usually more active, along with representatives of the social sphere and pensioners. Cleaning cemeteries and village streets, organising local festivals, child care, local competitions, etc. are all examples of local population initiatives.

Thus, there is a gap between top-down and bottom-up forms of civil activities. Most formal institutions of democratic participation introduced by the municipal reform were not accepted by the rural population. Some of them, for example TSC, worked in some regions, while others were not accepted at all. Informal norms and practices continued to unite local communities and stimulate active participation.

5.2.2 Relations between local government and public sector

Relations between two levels of municipal authority

When FL-131 (2003) came into force, a two-level municipal authority was created in the whole country. According to the law, the lower – settlement – level was an independent level of local self-government not subordinate either to district or regional authorities. When the heads of rural municipalities were elected and got “great freedom”, the uncontrolled process started.

Someone set a (high) salary for himself and did not coordinate it with deputies. Someone started to dispose of property in the wrong way. There were criminal cases, someone was fired. It is not because bad people came and began to break the laws. It is because they don’t know the situation. Someone was a teacher, someone a physician, and suddenly all of them came to power. It is, certainly, difficult (K15, 2011).

In order to help the newly elected rural heads, a Council of Heads of Settlements was created first in one municipal district; later this experience was disseminated across the whole Republic of Karelia. Twice a month the Council had meetings to discuss the current situation and urgent problems. On the one hand, the main idea of the Council was to help the newly elected heads to deal with the situation. On the other hand, it was a good way to control heads of small rural municipalities from the district level.

Heads of rural municipalities understood that they had to establish good relations with the district level. Some of them perceived it as a Soviet tradition, i.e. the dependency of lower levels of authority on higher levels, while others considered such relations a joint work for common results.
I think that the relations should be good, and they are good because we share common goals. If there is a confrontation with the district administration, the people will suffer (NN1, 2009).

Two levels of the municipal authority had to work together, though each level had its own list of duties. The district-level authorities tried to help rural municipalities in many ways, for instance to form the budget, develop local regulations, etc.

The head of the village administration and an accountant propose a budget, and the district administration helps us with it. They make a recommendation to us and we plan and provide the figures (NN1, 2008).

In addition, the municipal district authorities were a mediator/coordinator of relations between the rural municipality and the state authorities (regional or federal).

We cooperate with the district administration because neither the tax office nor the region works with us directly. Everything goes through the district (NN1, 2009).

**Relations between municipalities and the state**

There were different forms of communication between the municipalities and the state: through state programmes, state institutions such as departments of agriculture, and other public actors like schools and cultural clubs.

The first form was the participation of local authorities in different state programmes. A good example of successful activity of the state in rural areas is the housing programme to support young specialists. This programme was aimed at providing specialists in education, medical care and agriculture with houses. In agriculture the state paid 70% of expenses; in medical care and education it was 100%.

The money is allocated to teachers and doctors for buying houses and cars. This is very effective. I voted for this programme with both hands (NN5, 2008).

The programme for agricultural employees:

*This programme works well. For example, in 2006 in our district 22 families got houses; 18 families in 2007; 42 families in 2008. It is a unique programme that changes the countryside. The youth stay in villages when they have houses. There are 15 houses on the list according to the next year plan, and about 100 families are already on the list* (NN5, 2009).

The problem was that not everyone working in agriculture could participate in the programme. An applicant (or his employer) has to pay 30%, but not many rural inhabitants had such money. “Where could people get 300- to 400,000 roubles (approximately 7,830–10,445 EUR), if their salary is about 2- to 3,000 roubles (approximately 50 – 80 EUR)” (NN5, 2009). Employers were not ready to participate in the programme.

They wanted the employers to give money. But what if it [agro-enterprise] is already a beggar? (NN5, 2009)
If 70% was given to an applicant, 30% was paid by the regional budget and 40% by the federal one.

The municipal authorities of both levels participated in the programme. They considered applications of young specialists; developed normative documents for implementing the programme; distributed federal subventions through the municipal budget and allocated them to young specialists; and organised interaction with different actors to implement the programme. For example, according to the interviewers, a five-sided contract had to be signed in the Nizhny Novgorod region in order to participate in the programme – between a graduate, his educational institution, the administration of the municipal district and two regional ministries. Moreover, the municipal authorities provided a part of the financing from 1 to 10% of the total price of housing or its construction.

The success of the housing programme for young specialists was essential for the development of rural areas because it is important for young people to have a house in the countryside. According to the head of the agricultural enterprise

> it is not very important if a person does not work at our enterprise. It is important to have new houses in the village. Today he is not working here, but tomorrow he will be with us. And after tomorrow his children will start to work here (K6, 2011).

Thus, the housing programme attracted young specialists to rural areas, new houses were built and the infrastructure was developed.

Another form of interaction between the municipal and state levels was communication through different state institutions that played an important role in rural development. The most active state institutions in rural areas were departments of agriculture and labour offices. In the Nizhny Novgorod region, the Semenov municipal department of agriculture cooperated with the district and settlement administration and the Rural Advisory Centre. According to the representative of this department (NN, fg1, 2009), they mainly worked with agricultural enterprises and not with farmers and heads of households. In Karelia, the department of agriculture focused on different agro-producers (K1, 2005; K4, 2005).

The labour offices promoted federal anti-recessionary employment programmes in rural areas (see section 5.1.1). Labour offices cooperated with local governments of both levels and other local actors.

**Relations between municipal authorities and social sphere actors**

Representatives of the social sphere sometimes became active rural actors. There were cases where a rural school, children’s shelter or cultural club became (one of) the central actor(s) in the local development.

It is known that the rural school was often the cultural, educational and organisational centre of the village, for instance in Kotkozero village (the Republic of Karelia)64. The Kotkozero school as a cultural and educational centre consisted of a kindergarten, school, musical school, sports club, library, museum of local lore, adult course centre, ethnocultural centre, boarding school, farm and information centre with local TV. Unlike traditional rural schools, this socio-cultural complex united all local actors involved in the educational process in the broadest sense of the word. These

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64 More about this school can be found on the web page http://kotkozero.karelia.ru/
actors were the school, families, local authorities, farmers and local enterprises. For the local authority, such an active actor was a very important assistant in the village development. Cleaning, improving the territory, village events, festivals, local markets, etc. were organised with the close cooperation of the school and local authorities.

In other cases (Nizhny Novgorod region), cultural clubs/centres became the heart of the village; their employees were very active actors and assistants of local governments. Almost all local government activities were organised with their support.

When I started to work, I suggested such a system. We have directors of the rural club; we keep in touch with the population through them. We develop regulatory legal acts, prepare information for the population, and they distribute this information in rural settlements. Whether there is a water problem in the village; somebody needs firewood; the road must be cleaned, etc. In the morning at 7:30 the administration specialist comes to work, calls all responsible persons in the villages. By 8 o’clock we have information on what happened at night. We do such work daily. It disciplines us, and it strengthens the control (NN1, 2008).

Thus, often the representatives of the social sphere became active actors of local development. Sometimes they were a central element of the governance system as in Kotkozero village. Close cooperation of local actors, partnership relations and trust were the main characteristics of this governance system.

Relations between municipal authorities and municipal unitary enterprises and agencies

Other important social actors were municipal unitary enterprises and agencies. According to article 113 of the Civic Code of the Russian Federation, a municipal unitary enterprise is a commercial organisation with property rights. The property of the municipal unitary enterprise was municipal, and the enterprise only had the right to use it for economic purposes.

The essential weakness of the municipal unitary enterprises was their inability to attract investments and share capital. As the enterprise was not the property owner, by law any improvement or increment of the property became a municipal one. The property of the unitary enterprise could not be divided by shares; it always represented a uniform property complex of one owner – the municipality. This fact not only reduced (more precisely – removed) the investment attractiveness of the enterprise, but it also did not stimulate the management of the enterprises to increase its economic efficiency. One more problem for the municipality was the extreme complexity of withdrawing property that was given to the enterprise. It was almost impossible to withdraw even obviously excessive property, used or not used for the designated purposes.

Thus, this form of enterprise, widely used in Russia, was not viable and had limited potential for the economic development of territories. Municipal and joint municipal-private enterprises were often run on a self-supporting basis and provided a very small income for the local budgets (for example, enterprises for housing and communal services, electricity supply networks). Many municipal enterprises went bankrupt. To avoid bankruptcy, municipalities often changed their status from a municipal enterprise to a municipal agency.

The latter, according to the Civil Code of the Russian Federation (art. 120) and the Federal law “On Non-profit Organisations”, were to implement administrative,
welfare or other functions of a non-commercial character. Many such agencies worked in education, health care and culture, as well as in other spheres. Very often municipal cinemas, and cultural and sport centres changed their organisational status and became municipal agencies. The municipality as an owner of such municipal agencies had the right to withdraw their property; to give the agencies obligatory orders on delivering goods, executing works and rendering services for municipal needs; to approve the estimates of incomes and expenses of the municipal agency. Municipal agencies had the right to have additional incomes from the allowed activities. For example, a cultural or sports centre or cinema usually got funding from different levels of the budget system, and they could earn additional money through such activities as concerts, discos, showing movies, etc. Rural municipal agencies used these possibilities for the development, but these additional sources, along with budget subsidies, were insufficient and did not allow enough investment for the development.

Furthermore, there were limitations to the activities of municipal enterprises due to the privatisation and market economy that made the objects of the social sphere and some others (such as enterprises of communal services) the responsibility of the local self-government. The number of municipal properties and enterprises increased dramatically. Regional authorities transferred the unprofitable enterprises to the municipal level, and local governments did not have financial means for their modernisation and support (see section 5.1.1 about municipal property). There were also practices of illegal withdrawal of some municipal enterprises and organisations and their transfer to the regional level (Kuznetsov et al., 2004, 105).

As a result, municipal enterprises and agencies became weak actors of local development. They hardly brought any revenue to local budgets; many of them were under bankruptcy, and had problems with property rights. Formal rules and legislation did not allow for the successful development of these local actors, which limited their participation in the governance system.

5.2.3 Relations between local government and private sector

As the public authority, the local government coordinates the economic activities in its territory. Also, the local government is a full participant of such relations with an independent economic potential (for example, to expand the municipal property or the local budget, etc.). Under the multifold property rights, the local government has to establish new relations with different enterprises. In general, such relations can be divided into two groups: administrative and economic.

Administrative relations include, for example, setting up uniform sanitary-ecological norms and standards for all local enterprises and organisations, licensing entrepreneurs’ activities, helping with getting the necessary documents, allocating land and buildings to entrepreneurs, budgetary financing of infrastructure development, and regulating investments and external resources, etc.

_The local administration helps us. Do you need land? You are welcome._ (K12, 2002)

_They only give a hundred cubes of timber every year according to the law_ (K6, 2005).

Economic relations developed in different ways. The main spheres of partnership of municipal authorities and business were as follows: the use of territory (construction,
rent of the land, allocation of new economic units), the development of industrial infrastructure (transportation, power engineering, roads), developing local markets (trade, finance, credit), employment and developing the labour market, innovation support and exchange of information (exhibitions, conferences, fairs), etc.

The Civil Code of the Russian Federation did not allow municipal authorities to act as economic agents like limited liability companies, joint-stock companies, etc. except for cases set out in the law. However, municipal agencies can participate in economic activities of different enterprises and, with the permission of the local governments, use the municipal property as a contribution.

*This is a private-municipal enterprise. Building is a property of the local government enclosed in the authorised capital of the enterprise (K7, 2002).*

*The building was given to the fur farm, and part of the Swedish equipment was bought thanks to the help of the administration. It was not credit (K5, 2002).*

The next type of relation was a municipal order. Municipal authorities acted as a customer/buyer of goods, works and services, paying for them from the municipal budget.

*Bread products are delivered to schools, hospitals (K5, 2002).*

Both administrative and economic relations had to follow the legislation, but underdeveloped legislative acts and differing interpretation of laws led to regulations based on informal relations. For instance, the municipal orders were often distributed not by tenders but according to interpersonal relations. Administrative practices at the local level were often based on the same types of informal relations. For example, the licensing of entrepreneurs’ activities was not complicated if you had good relations with the local bureaucracy.

*He [the mayor] helped me with many papers: permission for privatisation, permission for allotment of land and so on. It is not so complicated or difficult because we know each other. Firemen, sanitary-epidemiological inspectors, land managers, local authorities gave the permission. I did not have any problems (K6, 2002).*

Some entrepreneurs with good connections did not have any problems with their business, while others had to overcome a lot of barriers. There were several ways to improve personal relations with the local administration: participating in a municipal programme/s as a sponsor, but this could become a problem if the local administration often applied for sponsorship; participating in politics, but it was very important to be with the majority in the local government (usually it was United Russia). The easiest way to ruin the relations was to participate in political life as an opposition.

The structure of informal contacts usually changed after the municipal elections, which created additional barriers for the local development.

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65 See paragraph 4, article 66 of the Civil Code.
The local authorities change every four years. New people, new attitudes – new relations are to be established. You must find the way to live and to work with new authorities (K6, 2003).

Moreover, the enterprises could (or could not) have conflicts with different institutions influencing their activities.

The general attitude of the local authorities to business was expressed by the head of one rural municipality:

*Without the help of the enterprise the life in the village would come to a standstill* (K6, 2004).

### 5.2.4 Relations between local government and civil society

Before considering the relations between these two actors it is important to remember that I do not limit rural NGOs to the rural geography, but define them as local and non-local organisations that work in rural areas (section 5.1.5).

As was shown above, the federal civil organisations were very formal and professional; they did not have strong relations with the grass-roots level. Even AKKOR, an association of farmers and cooperatives, who aimed to provide assistance to the rural population and farmers, did not have close contacts with rural actors and even with local governments. In the case regions these relations were not mentioned in the interviews.

The regional NGOs had closer contacts with the local level and often influenced the development of rural communities. The community foundations, advisory centres and resource centres, which were usually located in regional centres, implemented different projects in rural areas mainly in social protection and support of the rural population, child and youth projects, sport and tourism, self-employment, preservation of traditional, ethnic culture and modernisation of communal services. Some of these topics were on the list of local issues of the local self-government. The majority of these urban organisations worked directly with such local actors as rural schools, the unemployed, the disabled, etc.; only some of them had contracts with local governments. For example, in some projects rural authorities helped to disseminate information about the project and made a list of villagers that wanted to participate in it.

Local organisations had the closest contacts with the municipal authorities; this fact was determined by geographical proximity and historical traditions. The majority of village non-commercial organisations were established in the Soviet period: women’s, veterans’, sports and children’s clubs, etc. New organisations included the likes of the Council of Entrepreneurs.

The relations between village organisations and rural authorities were very close. The rural municipality usually allocated rooms for them, and in turn these clubs helped with cleaning territories, organising village events, etc. Mutual help, interdependence and cooperation were the key features of such relations. Thus, a simple local governance model emerged in local communities based on partnership relations and interdependence.
5.2.5 Relations between local government and foreign partners

There are only a few studies on foreign support for the democratisation, decentralisation and development of local self-government in Russia. One of them was conducted by Lankina (2007) in the Republic of Karelia. She showed that in the 1990s, Western donors were successful in influencing the institutional bases of local government in Karelia. They emphasised the importance of “downwardly” accountable institutions, cooperation between civil society organisations, municipalities and the public, and social cohesion (Lankina, 2007, 1). External actors, the EU in particular, provided a variety of institutional forms and resources for local development. Such actors introduced a governance model to support local initiatives. The US promoted the neoliberal model of governance with the privileged position of markets and non-state actors (political parties or NGOs). The EU focused on formal democratic institutions like local authorities and the social or “cohesion” dimension of citizenship. Many projects were aimed at promoting cooperation between municipalities and NGOs (Lankina, 2007, 7).

According to Lankina (2007, 7), between 1991 and 2005 there were 70 EU projects in Karelia. Local government shared first place with regional governments as the beneficiary of the largest number of projects (24). The majority of projects in rural areas were implemented at the level of municipal districts. There were different organisations implementing projects in the Republic of Karelia. Here are a number of examples of donors and their projects on municipal development.

- United Nations Development Programme, global development network
  - “Assistance to local self-government reform in the Russian Federation” in the Republic of Karelia, 2005
- SIDA (Swedish International Development Cooperation Agency), Sweden
  - Support for the development of local self-government in the Republic of Karelia, 2004
- SALA IDA (Swedish Association of Local Authorities and Regions International Development Agency) and SIDA, Sweden
- Eurasia Foundation, USA
  - Working out strategic plans for social and economic development of municipal entities (based on the example of the Republic of Karelia), 2001–2002
- The Association of Finnish Local and Regional Authorities
  - Programme of development of local self-government in the Republic of Karelia, 2004
- STAKES, Finland
  - Republican centre for assistance to the development of the social sphere of municipal entities of the Republic of Karelia, 2006–2007

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Some of the projects were implemented at the republican level, and some at the municipal district level (usually a group of municipal districts).

The impact of Western donors on democratisation and decentralisation was twofold. On the one hand, the Western partners'/donors' influence determined that in the 1990s Karelia held high positions in terms of developing local democracy. As was mentioned in the introduction, Karelia was the first of the Russian regions to adopt a regional democratic law on local self-government (based on the North European model), and to create an association of municipalities, hold direct elections, etc. On the other hand, local inhabitants had strong negative and pessimistic opinions about local governments, determined by their comparisons with the Western models. The EU, especially Finland and other Nordic states, served as a reference for evaluating the Russian politics (Lankina, 2007, 12).

5.2.6 Social partnership as a new mechanism of local authority and local actors’ interaction

Partnership is one of the key features of a governance system. Partnerships are possible in both horizontal and vertical dimensions and unite different actors: from public and private spheres, local communities and voluntary organisations.

In Russia, social partnership relations started to develop at the end of the 1980s–1990s as bi- and trilateral agreements mainly in the sphere of labour relations; later they developed in other spheres too. For example, in the Nizhny Novgorod region the first social partnership agreement was signed in 1995. It was an agreement between the governor, heads of municipal districts and enterprises. According to the agreement, industrial enterprises had to increase the salaries of their employees and their production. The governor, in turn, promised some privileges in terms of regional taxes. The agreement was valid only for two years. The mechanism of its implementation (agreed duties) and sanctions for its non-fulfilment was not clear. As a result, enterprises fulfilled their part of the agreement but did not get the promised tax privileges. Thus, after two years of waiting the agreements were broken.

New attempts to establish social partnerships took place at the local level. In 2003, the administration of the Semenov district (Nizhny Novgorod region) started to sign so-called cooperation agreements with local enterprises and entrepreneurs. As in the above-mentioned example, these agreements implied that the municipality ensured local tax reductions, and local businesses had to fulfil several requirements. The first one was to increase the salaries of employees (salaries had to be not less than 1.5 times higher than the minimum wage in the district). This requirement was directed at improving the living standards of the local population and at increasing tax revenues for the municipal budget. The next important point in the agreement was the participation of local businesses in improving the territory and hard waste collection. In addition, local businesses had to participate in social programmes.

According to the Budget Code of the Russian Federation, the taxes paid to the district budget were income tax, and land and property taxes, but the share of land and property taxes in the municipal district budget was insignificant. For those who signed the social partnership agreement there was a lowering coefficient for income tax. The average growth in income tax was about 40 % per year, but for participants of social partnerships this growth was set at 4–5 % per year. Thus, it was more profitable for
entrepreneurs to pay higher wages than to pay high taxes, which is why the number of local enterprises signing social partnership agreements was growing.

Furthermore, the municipal district authorities provided information and consultation support for local entrepreneurs, helped them to prepare documentation for credit applications, assisted in marketing their services and production at exhibitions and trade fairs. According to the head of the department of economics and forecasts in the case region, these agreements helped enterprises “to get out of the shadows” (NN7, 2008). In 2007, almost 300 social partnership agreements were signed in the Semenov district, i.e. about half of all small enterprises in the municipal district.

At the village level, the mechanism of social partnerships was used in special cases. The Läskelä rural municipality in the Pitkäranta municipal district of the Republic of Karelia was known for its active team involved in village development. Partnerships of local authorities, rural schools, individual entrepreneurs and rural inhabitants had existed for a long time. It was a schoolteacher who suggested different ideas. The head of the local community mainly provided “moral support”, helped with documents and co-financed one of the projects. Local entrepreneurs and enterprises provided the funding. Schoolchildren and their families worked as volunteers. This team started to work in 2006 and since this time a school stadium with a football field has been built, the central walkway of the park has been cleaned and repaired, and an old Finnish dance floor has been restored in the central village of Läskelä rural municipality. The same schoolteacher initiated another project – the construction of a playground in the village of Janis in the rural municipality. He organised a village meeting and approximately 30 people were ready to help with the construction of the playground either as volunteers or by offering financial support or by providing construction materials. The local authorities co-financed the project. Unfortunately, cases like these were rare in terms of rural population activities and establishing partnerships depended on the personal characteristics of formal and/or informal leaders of the community.

Thus, the mechanisms of socio-economic cooperation of local business and authorities were efficient at the municipal district level, as was shown in the examples from the Semenov district and Läskelä village. However, impressive results could be achieved only if the regional and federal levels were interested in participating in such socio-economic partnerships, because these two levels collected the taxes. The taxes paid to regional or federal budgets could be regulated only by the corresponding level. Thus, at these levels there were more possibilities for the development of partnerships between business and the authorities.
6 CONCLUSIONS: LEGAL FRAMEWORK VS SOCIAL PRACTICES

Two theoretical concepts were chosen for this study – institutionalism, particularly the new institutionalism, and governance. Institutionalism was chosen as the theoretical framework because both the structure of local self-government and the specific behaviour of actors involved are the result of the set of rules governing actors’ behaviour. The governance concept turned out to be very useful for this study, because it provides a framework for understanding the changing governing regime in Russia, and the changing of institutional relations.

In the conclusion based on the institutional theory and governance approach I will summarise the changes introduced by the set of rules (or institutions) and adopted (or not adopted) at the local level.

6.1 LOCAL GOVERNMENT AS INSTITUTION – FROM EXPERIMENTS TO AN UNIFIED STRUCTURE

The closest to the population institution
In the 1990s – early 2000s the institution of local self-government was created. FL-131 was adopted in 2003. According to the legislation, it is the closest to a population institution, though the population did not participate in discussion on the law’s drafts. Debates of that time were organised mainly by politicians (political pluralism), but not among the population. FL-131 “was obviously discussed not as intensively as was needed” (the head of the rural settlement of Perm Krai, citation from Amelina, 2007. According to Bukhvald (2011, 31), these debates did not clarify the ultimate goals of the reform.

In the early 2000s in the Russian Karelia, neither the staff of the municipal district nor the village administration knew about the upcoming municipal reform, changes in legislation or debates on the new federal law “On Basic Principles of Local Self-government in the Russian Federation” (K17, 2002; K19, 2002; K1–2, 2003; K15–17, 2003; K19, 2003). According to Kuznetsova (2003),

quote: the 131 law adopted in October 2003 by the State Duma remained unnoticed by the Russian population. Neither radio and television, nor newspapers and magazines, responded to its adoption. Discussions in the Duma were inert and uninteresting due to the fatalistic expectation that everything the authorities want and suggest will be accepted.

Frame law with rigid framework
FL-131, “On General Principles of Local Government in the Russian Federation”, being a frame law, set a very rigid framework for the functioning of local governments. Many of the norms of FL-131 were excessive: they did not take into consideration the territorial features of regions, restricted the freedom of action of local governments and limited local development. Among the rigid norms were the unification of municipal entities, a closed list of local issues and the criteria for organising local self-government.
A unified two-level system of local self-government was designed. The same system was used in the densely populated Central Russia and in the regions with a very low population density such as Sakha Republic (Yakutia). The local varieties of territories were not taken into account in the “created from above” map of the Russian municipal development. Some 12,000 municipalities that existed before the adoption of FL-131 became more fragmented and doubled the number of municipal units.

The same happened with the list of local issues. The law determined allocation of the list of local issues from above. The federal centre defined in detail the competence of every type of municipality leaving minimum freedom for both Subjects of the Russian Federation and municipalities. Local governments did not have the right to define their competence, which contradicted the essence of local self-government. Defined at the beginning of the reform, the closed list of local issues was inadmissible, such as the rights of citizens for independent decision-making in terms of supporting community life; therefore, the functions of local authorities were limited (Kuznetsova, 2003). Later the problem of the closed list of local issues was solved by introducing amendments to FL-131 that gave the local government the right to make decisions on questions that had not been attributed to issues of local importance, but which were important for the local population.

Demographic and territorial principles became the basis of the municipal system. In many cases, the borders of municipalities followed the Soviet territorial division of the country. So the old/Soviet principles of territorial governance were set as the basis for new reform. In addition, there were two criteria: the size of the population (1,000 inhabitants were enough to obtain municipality status) and transport accessibility of administrative and service centres. However, for a community to achieve true autonomy it was necessary to be able to provide housing and municipal services and cover other expenses – for street lighting, reconstruction of roads, financing the fire department and medical services, etc. Economic criteria, such as the availability of financial and other resources, municipal property, infrastructure and the possibility of self-development, were used. According to Savranskaja (2003), the local government was based only on the size of the population and transport availability, which could lead to the exclusion of the population from decision-making, and to limitation of the local self-government field of activity due to the limited financial resources (no powers – no finance).

Reforming the reform
Municipal reform faced a lot of difficulties that reflected the deep problems in Russian politics and the economy. It was a question of the insufficiency of legal grounds for reform and of the mechanism of distribution of profitable resources between various levels of authority; the shortage of qualified personnel; the risks of parallel implementation of municipal and other reforms (tax, housing, budgetary), etc. However, municipal reform was necessary not only to adopt the law on local self-government, but also to make changes in other legislation.

Since 2003, the municipal legislation has undergone significant changes. So large-scale reform in a dynamically developing economy obviously could not set stable norms. Correction of the reform in the course of its implementation was inevitable. However, the scale, style and content of the amendments introduced to FL-131⁶⁹ were

⁶⁹Within the first five years 36 laws on the modification of FL-131 were accepted.
fairly criticised for the randomness and crudity of amendments that met the interests of regional authorities and were disadvantageous for municipalities.

Thus, local self-government as an institution was not completed in almost 10 years of the reform. A lot of work at all levels of public authority was needed to construct a working system of local self-government.

6.2 LOCAL SELF-GOVERNMENT AS A POLITICAL INSTITUTION

Decentralisation / centralisation policies and development of local self-government

The general tendency of decentralisation in the politics and economy of many countries influenced the Soviet Union and Russia: perestroika, the collapse of the Soviet Union and Yeltsin’s ideology (take as much freedom as you can) can be considered not as a real decentralisation trend, but as an attempt to prevent the disintegration of the country. Sakha, Tatarstan and Bashkortostan separatism was a real threat to the integrity of Russia. The politics of decentralisation was a possible scenario for the 1990s. Regional governments obtained a lot of power. The decentralisation trend reached the municipal level and led to the municipal revolution in the 1990s and the development of different models of local governance (Chapter 4).

When the threat of disintegration of the country had been eradicated, the state had returned to the previous scenario – centralisation considered necessary for strengthening the state, growth of accountability and efficiency of all levels of government. Thus, the turn to the centralisation policy was a logical step in the development of the country.

However, recentralisation of the power system demanded, on the one hand, preservation, reproduction and strengthening of the subordination of local governments, and on the other hand, gradual consolidation of resources at the higher levels of authority. Local elites were in many respects deprived of the stimulus and possibilities for efficient control and participation in the modernisation of the country, and the population was almost deprived of motivation to participate in the local self-government. The municipal counter-revolution was a step toward preserving the general policy of the state.

Lack of autonomy (political aspects)

The principle of a municipal autonomy was recognised and defined in the legislation. At the same time, serious possibilities for influencing the municipal authorities through the institution of separate state powers, the institution of state control and interventions were also prescribed by the same legislation.

Formally, freedom of actions was given to municipalities for providing public services to local residents, though the state retained the right to regulate these activities. The law allowed the state to control and supervise local self-governments: the control (including the control of efficiency) initially considered the exercising of specific state powers, while supervision (beyond the legislation defined) was presumed in other cases to be stipulated by federal laws.

The municipal autonomy turned out to be very limited (and in many cases conditional). The hierarchical principle of relations (“chief-subordinate”) was typical
for the relations between heads of the Subjects of the Russian Federation and heads of municipal districts, and between heads of municipal districts and heads of rural municipalities. Functional needs, activity stereotypes, financial dependence and the transfer of powers determined the “nationalisation” of municipal districts in the majority of Russian regions. District administrations actually became territorial bodies of administrations of the Subjects of the Federation. In turn, municipal district authorities tried to include rural authorities in the same vertical of power. Thus, there was a question over the necessity of such a political institution as municipal authorities.

Under the municipal reform there were fierce debates on the removal of local governments from the state governance system defined by the Constitution. Another vector of discussion considered the district level: whether it represented the local self-government or the lower level of state authorities. There were no answers to these questions. However, the federal government with its recentralisation policy and vertical of power was finding more and more “legal” ways to limit the municipal-level powers. Thus, the political rights of local self-government (local democracy and autonomy) were significantly weakened. The local government as a political institution was not independent.

As a result, the local population was not interested in participating in local self-government. Political indifference was evident in the low voter turnout at the local elections and in the very few appeals to local authorities. The passivity of the local population was usually determined by disbelief in the ability to influence the situation. The population even considered the results of elections not as an expression of their will but as a manifestation of the “administrative resource”. The local population, on the one hand, did not believe that they could influence the situation; on the other hand, they did not believe that the local authorities were able to do anything. This situation did not contribute to the development of democracy or to the growth of the political interest/activity of the rural inhabitants. The Russian population’s indifference to the “new” self-government was a rational reaction to its powerlessness.

6.3 LOCAL GOVERNMENT AS AN ECONOMIC INSTITUTION

Lack of autonomy (economic aspects)
The preconditions for local economic development are the financial stability of municipalities, a sustainable tax base and investments. Moreover, local development as an integral part of larger processes is very important. But in the Russian case, implementation of the municipal reform was not supported by economic reforms.

A local government is only effective if it is economically successful. The main condition for this is the local budget. For many years the political and scientific elites discussed the problem of insufficient budgets, but nothing changed. Under the reform, the local budgets increased significantly, and their share in the consolidated budget of the country and of the Subjects of the Federation decreased significantly. Under the reform, the dependence of local budgets on financial injections increased. The ability of local budgets to solve local problems depended on the transfer of tax shares and/or direct financial injections from higher levels.

The incomes of local budgets were very small, which influenced their ability to provide services to the local population. The list of local issues was long, while the available resources to solve them were inadequate. There were two ways to deal with
such a situation. The first one was to delegate some issues to the higher authorities –
the municipal district level. The other way was a selective fulfilment of duties.

Thus, the local self-government was declared independent from the state, but the
state did not provide the economic basis for independence. The local government was
deprived of autonomy in financial management, confused by constant rule changes
by the federal authorities, and was powerless and drowning in debt.

6.4 LOCAL GOVERNMENT AS A SOCIAL INSTITUTION

LG as a social institution performed the social role of local self-government (for
example, Torjman and Leviten-Reid, 2003; Nazina, 2007). Local governments were to
foster a feeling of responsibility for social well-being among businesses, community
groups and other levels of government; local governments were to build relationships
with diverse organisations and sectors that comprised the community (Torjman and
Leviten-Reid, 2003, 6).

Bottom-up activities
According to Mironova (2007), social institution is a peculiar “knot” of social activities
focused at the bottom-up vector. The development of the social activities of the local
population, ensuring social inclusion, expansion of the civil society and increased
participation of the population in local decision-making, and ensuring that authorities
and citizens trust each other, are key elements of local self-government as a social
institution. This aspect was urgent for Russia as the institution of local self-government
was established from above by formal (legal) rules without the support of local
communities.

Depopulation, population outflow and continued urbanisation led to the destruction
of traditional rural society, undermined the stability of territorial/rural communities
and stimulated the growth of individualism. Civil society was weak or even absent
in Russian rural areas, though there were some active groups in almost every village.
Usually small villages and communities were more united. They participated in local
meetings, events and festivals to improve the village territory, often on the initiative
of the local people. Such activities were usually small-scaled, but were a starting
point for local activism. Gradually the post-soviet individualism turned into a new
form of collectivism based not on political ideology, but on the common needs and
participation.

Delivery of services
The task of local governments was to satisfy the needs of the local population. The local
people held different opinions about the local authorities. The first group thought that
local government was aimed at providing services. The municipality was believed to
solve all major problems: certificates, complaints, registration, etc. Thus, people did
not understand the separation powers between the levels and believed that each level
had to do everything and solve all problems under the supervision of the higher level.
Thus, the local government was seen mainly as a Soviet executive committee. This
attitude was supported mainly by the elderly. Another part of the locals defined local
government as a local self-government, a social partnership as many village people
were ready to take responsibility.
In Russia, local governments had a wide range of duties and scarce financial resources. With this shortage of resources there was a selective implementation of functions. In many cases local governments focused only on providing some services rather than on management tasks. They did not find any other agents to whom to transfer some duties in providing services. The population was mainly considered a consumer of services and not an agent to provide them. Thus, the shortage of resources and misunderstanding of its role led to the failure of local government as a social institution.

So the created mode of local governance was vulnerable and helpless from the political, economic and social points of view.

6.5 SOCIAL PRACTICES AT THE LOCAL LEVEL IN THE FRAMEWORK OF AN INSOLVENT INSTITUTIONAL ENVIRONMENT

As one can see, local self-government as an institution was not completed during the years of the reform. National institutional changes (RQ 1) created a framework for the implementation of municipal reform, but did not clearly specify the role of local self-government, its functions and resources especially in the early stage. The local-level response (RQ 2) to enormous institutional transformation and to changes in mode of governance was adaption to these changes and an attempt to establish new relations with different actors from local and non-local arenas. Below, in small schemas, I present the formation of new relations of local government with other actors.

Institutional vacuum
After the collapse of the Soviet Union, the formation of a new institutional framework required a broad range of new legislation. Institutions such as land markets, credit systems, consumers’ cooperatives, consulting services, etc. were not developed at that time.

In rural areas, the economic/agrarian reforms determined the diversity of actors (A1, A2, A3, etc. in Figure 12) and formation of a multistructural rural economy. Economic

![Figure 12. Local actors in the institutional vacuum.](image-url)
actors previously represented only by state actors included many different groups. There was a diversity of actors, but they were weak. In the first years of the reform each actor tried to adopt their own survival strategy based on their own strengths, knowledge and experience. The links (interrelations, coordination) between actors were weak or lacking, and the majority of relations followed the old (Soviet) practices. The local authority (A1 in Figure 12) was isolated from other actors.

![Diagram showing relationships between local, regional, and national levels.](attachment://diagram.png)

**Figure 13. “Beggar” hierarchy**

**Figure 14. Establishing new relations**

Local enterprises tried to adapt to the market, to reduce the “social burden” and to transfer it to local governments. Soviet practices of a close relationship between local administrations and enterprises and of permanent care of enterprises regarding community development came to an end. Under the unclear roles and responsibilities and the shortage of budget and other resources, the local authorities could not fulfil their duties, which led to the growth of social mistrust in the local government and its deeper isolation. Relations with new actors (farmers, private entrepreneurs) had not been established. So the governance system of the Soviet period was destroyed, but a new system was not yet constructed. Destroyed/non-formed relations between the changing formal rules of the new governing mode and old informal constraints and habits led to an institutional vacuum and estrangement of actors.

Thus, the transition to the market economy meant the local governments lost a great deal. They did not have any means to influence the socio-economic processes in villages. They could not control the situation in their territories. Neither private companies nor the state were any longer under the control of local authorities. In this situation, local governments (A1) tried to use standard procedures, Soviet ways and old schemes to solve the local problems. Local governments had this “beggar hierarchy”\(^7\) relationship not only with enterprises, but with other local actors such as cultural activists, women’s clubs, etc. Figure 13 shows how the local government asked for funding/help from companies and other actors.

\(^7\) I use the word “beggar” to characterise the relations of local self-government with other actors in the situation of total financial dependency on the state and other actors.
Defining new roles and establishing new relations

The Federal law “On Basic Principles of Local Self-government in the Russian Federation” was adopted in 2003. A basic legislative framework was created, but did not lead to successful development. The insufficient institutional environment determined the inadequacy of financial and other resources for local development, the selective implementation of local functions, the ineffective inter-budget relations and unclear distribution of powers between levels.

Under the permanent readjustment of the reform, local governments and other actors tried to adapt to the changing institutional environment through the integration and cooperation of local actors. In many cases, one of the local actors was an initiator of the integration of a local community aimed at solving local problems. This actor (Ax in Figure 14) could be the local authority, local school or a non-commercial organisation, but usually it was not an enterprise, though the role of enterprises (former kolkhozes and sovkhozes) in local development changed significantly.

When there was an actor taking responsibility, or partial responsibility, for local development, the local government had to/tried to establish with them new relations based on different schemes. They could be based on the contract and be hierarchical (types a and c, Figure 15) or a partnership (type b, Figure 15). With regard to cultural clubs, schools and other budget organisations, the relations could be hierarchical relations (the local government (A1) used Soviet practices) or based on partners’ relations, when interdependence and trust relations were forming. Non-commercial organisations such as women’s and veterans’ clubs were more or less independent in comparison with budget organisations, and in these cases local governments had to establish equal partner relations. The relations of local governments with business structures varied, depending on the financial situation of both the enterprises and municipal budgets.

6.6 CONCLUDING REMARKS

Let us return to the scheme of new institutionalism and evaluate it for the Russian conditions (Figure 16) and to see what the role and status of local self-government were in the Russian political system and society in theory and practice (RQ 3). Nee and Ingman (1998, 30–33) separate formal and informal norms for different levels of the analysis, constructing a hierarchy and locating informal norms in the domain of interacting individuals. Formal rules create an institutional framework for actors’ behaviour and interaction.

![Diagram of relations](image-url)
This general division and location of formal and informal norms was typical for Russia too. The state created formal rules for the functioning of the whole country while the local level, represented by individuals and small groups, created informal norms. However, in Russia under the underdeveloped institutions the higher level created not only formal but also informal norms. Despite the new institutional environment in the post-Soviet Russia, “the rules” were neither clear nor stable. Reforming the reform was one of the main features of the Russian institutional development and municipal reform in particular.

In addition, at the local level, the governance system was not developed and partnership relations had just started forming. The embeddedness and group performance of the model did not work well in Russia. The same problem was typical for the middle level at which “organisations and groups of individuals had to be bounded by common goals”.

![Figure 16. New institutionalism in Russia](image)

In Russia, there was an evident dissonance between formal rules and informal constraints. On the one hand, actors were not automatic rule followers, but on the other hand, the habits and routines of the past (for example, the habit of being ruled), together with the formal rules introduced by the state and United Russia, determined the actors’ choices of “regular patterns”, though institutions differed across the country.

Nee and Ingman (1998, 32) distinguished two types of causal relations. Hierarchically superior levels define structures of incentives and, thus, set the goals for social units at lower levels. These downward relations strongly work for the Russian authority vertical (bold lines in Figure 16). According to the authors of the model, only formal
rules influence subordinate levels; however, in Russia there were both formal and informal norms. Top-down relations worked through the authority vertical. In the model, the institutions also affect individual action through endogenous preferences. In the Russian municipal development, “endogenous preferences” were not taken into account. A unified system for the whole country was created. Upward arrows, which indicate that hierarchically superior levels were constituted and influenced by lower levels, were weak or even absent (dotted lines in Figure 16). The bottom-up relations mainly worked through the institution of citizens’ requests/complaints to the higher authorities. The impact of higher levels through opposition was insignificant in general and rare at the municipal level.

There was a clear disruption of institutional mechanisms for the functioning of the society, non-equal top-down and bottom-up relations, and a gap between formal and informal institutions. Moreover, the institutional system of Russia is personalised. In such an institutional environment, the local self-government becomes a pseudo institute, which has an outer shell, but the content is disappeared.
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# APPENDICES

## APPENDIX 1. LIST OF INTERVIEWS

List of interviews, the Republic of Karelia, Russia, 2002

<table>
<thead>
<tr>
<th>N</th>
<th>Respondent</th>
<th>N</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>K3, 2002</td>
<td>Director and employee of house of culture</td>
<td>K15, 2002</td>
<td>Communal service enterprise employee</td>
</tr>
<tr>
<td>K5, 2002</td>
<td>Bakery worker</td>
<td>K16, 2002</td>
<td>Head physician of district hospital</td>
</tr>
<tr>
<td>K6, 2002</td>
<td>Director of small private cafe</td>
<td>K19, 2002</td>
<td>Head of municipal district</td>
</tr>
<tr>
<td>K7, 2002</td>
<td>Director of small private fish farm</td>
<td>K20, 2002</td>
<td>Pensioner</td>
</tr>
<tr>
<td>K8, 2002</td>
<td>Sawmill worker</td>
<td>K21, 2002</td>
<td>Police</td>
</tr>
<tr>
<td>K9, 2002</td>
<td>Deputy director of fur farm (former sovkhoz)</td>
<td>K25, 2002</td>
<td>Owner of travel agency</td>
</tr>
<tr>
<td>K12, 2002</td>
<td>Family farmer</td>
<td>K26, 2002</td>
<td>Tractor driver</td>
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List of interviews, the Republic of Karelia, Russia, 2003

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<tbody>
<tr>
<td>K3, 2003</td>
<td>Deputy director of closed joint-stock company, agriculture</td>
<td>K13, 2003</td>
<td>Director of small private enterprise, tourism services</td>
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<tr>
<td>K6, 2003</td>
<td>Director of tourist company</td>
<td>K15, 2003</td>
<td>Head of village administration</td>
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<tr>
<td>K7, 2003</td>
<td>Pensioner</td>
<td>K16, 2003</td>
<td>Head of village administration</td>
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<td>K8, 2003</td>
<td>Director of closed joint-stock company</td>
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List of interviews, the Republic of Karelia, Russia, 2004

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<tr>
<td>K1, 2004</td>
<td>Farmer</td>
<td>K6, 2004</td>
<td>Head and member of women's club and child rehabilitation centre</td>
</tr>
<tr>
<td>K2, 2004</td>
<td>Head of agricultural department of municipal district</td>
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71 The interviews were conducted under four different projects and an individual fieldwork. The Appendix only includes interviews used for the thesis, but the numeration reflects the overall numeration of the projects’ interviews.
List of interviews, the Republic of Karelia, Russia, 2005

<table>
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<tr>
<td>K1, 2005</td>
<td>Former head of the department of agriculture of municipal district</td>
<td>K12, 2005</td>
<td>Milkmaids</td>
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<td>K2, 2005</td>
<td>Head of village administration</td>
<td>K13, 2005</td>
<td>Deputy head of village administration</td>
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<td>K3, 2005</td>
<td>Land specialist of village administration</td>
<td>K14, 2005</td>
<td>Head of village administration</td>
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<td>K4, 2005</td>
<td>Head of consumer cooperative</td>
<td>K15, 2005</td>
<td>The first session of the first convocation, deputies (village 1)</td>
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<tr>
<td>K6, 2005</td>
<td>Farmers</td>
<td>K16, 2005</td>
<td>Chairman of the territorial election commission of municipal district 1</td>
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<tr>
<td>K7, 2005</td>
<td>Farmers involved in rural tourism</td>
<td>K17, 2005</td>
<td>Chairman of the territorial election commission of municipal district 2</td>
</tr>
<tr>
<td>K8, 2005</td>
<td>Deputy director of agro-enterprise (closed joint-stock company)</td>
<td>K18, 2005</td>
<td>The first session of the first convocation, deputies (village 2)</td>
</tr>
<tr>
<td>K10, 2005</td>
<td>The main shareholder of agro-enterprise (closed joint-stock company)</td>
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List of interviews, the Republic of Karelia, Russia, 2011

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<td>Head of administration of municipal district</td>
<td>K6, 2011</td>
<td>Development director of medium-sized enterprise</td>
</tr>
<tr>
<td>K3, 2011</td>
<td>Head of rural municipality</td>
<td>K7, 2011</td>
<td>Pensioner</td>
</tr>
<tr>
<td>K4, 2011</td>
<td>Director of municipal cultural enterprise</td>
<td>K9, 2011</td>
<td>Pensioner</td>
</tr>
<tr>
<td>K5, 2011</td>
<td>Director of museum</td>
<td>K15, 2011</td>
<td>Head of administration of municipal district</td>
</tr>
</tbody>
</table>

List of interviews, the Nizhny Novgorod region, Russia, 2005

<table>
<thead>
<tr>
<th>N</th>
<th>Respondent</th>
<th>N</th>
<th>Respondent</th>
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</thead>
<tbody>
<tr>
<td>NN1, 2005</td>
<td>Representative of rural advisory centre</td>
<td>NN3, 2005</td>
<td>Director of rural advisory centre</td>
</tr>
<tr>
<td>NN2, 2005</td>
<td>Representative of rural advisory centre</td>
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<td></td>
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List of interviews, the Nizhny Novgorod region, Russia, 2007

<table>
<thead>
<tr>
<th>N</th>
<th>Respondent</th>
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<th>Respondent</th>
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<tbody>
<tr>
<td>NN3, 2007</td>
<td>Local resident</td>
<td>NN7, 2007</td>
<td>Head of the Department of Social Policy, Family and Children</td>
</tr>
<tr>
<td>NN4, 2007</td>
<td>Representative of rural advisory centre</td>
<td>NN8, 2007</td>
<td>Head of rural municipality</td>
</tr>
<tr>
<td>NN5, 2007</td>
<td>Head of the territorial authority of the Department of Social Welfare, Labour and Employment of municipal district</td>
<td>NN9, 2007</td>
<td>Chairman of the Local Duma (municipal district level)</td>
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<tr>
<td>NN6, 2007</td>
<td>Deputy Director of the State Agency Employment Centre of municipal district</td>
<td></td>
<td></td>
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List of interviews, the Nizhny Novgorod region, Russia, 2008

<table>
<thead>
<tr>
<th>N</th>
<th>Respondent</th>
<th>N</th>
<th>Respondent</th>
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<tbody>
<tr>
<td>NN1, 2008</td>
<td>Head of rural municipality 1</td>
<td>NN5, 2008</td>
<td>Chairman of the Local Duma (municipal district level)</td>
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<tr>
<td>NN2, 2008</td>
<td>Local resident</td>
<td>NN6, 2008</td>
<td>Member of credit cooperative</td>
</tr>
<tr>
<td>NN3, 2008</td>
<td>Local resident</td>
<td>NN7, 2008</td>
<td>Representative of municipal district administration, department of economics and forecasting</td>
</tr>
<tr>
<td>NN4, 2008</td>
<td>Head of rural municipality 2</td>
<td>NN9, 2008</td>
<td>Representative of municipal district administration, department of informatisation</td>
</tr>
</tbody>
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List of interviews, the Nizhny Novgorod region, Russia, 2009

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<thead>
<tr>
<th>N</th>
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<th>Respondent</th>
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<tbody>
<tr>
<td>NN1, 2009</td>
<td>Head of rural municipality</td>
<td>NN4, 2009</td>
<td>Local resident</td>
</tr>
<tr>
<td>NN2, 2009</td>
<td>Head of Loan Department, RusAg Bank</td>
<td>NN5, 2009</td>
<td>Deputy Head of Department of Agriculture municipal district</td>
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List of focus groups, Nizhny Novgorod region, Russia, 2009

<table>
<thead>
<tr>
<th>N</th>
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<tbody>
<tr>
<td>NN, fg1, 2009</td>
<td>Local government of district and settlement levels, rural advisory centre</td>
<td>NN, fg3, 2009</td>
<td>Entrepreneurs, farmers</td>
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<tr>
<td>NN, fg2, 2009</td>
<td>Local population</td>
<td>NN, fg4, 2009</td>
<td>Mixed group, representatives of all previous groups</td>
</tr>
</tbody>
</table>

List of interviews, the Sakha Republic, Russia, 2005

<table>
<thead>
<tr>
<th>N</th>
<th>Respondent</th>
<th>N</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ya1, 2005</td>
<td>Head of the department of agriculture</td>
<td>Ya32, 2005</td>
<td>Local ethnographer</td>
</tr>
<tr>
<td>Ya3, 2005</td>
<td>Head of ulus</td>
<td>Ya48, 2005</td>
<td>Farmer</td>
</tr>
<tr>
<td>Ya4, 2005</td>
<td>Head of village administration 1</td>
<td>Ya49, 2005</td>
<td>Local resident</td>
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<tr>
<td>Ya6, 2005</td>
<td>Teacher</td>
<td>Ya51, 2005</td>
<td>Head of tribal community</td>
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<tr>
<td>Ya15, 2005</td>
<td>Milkmaid</td>
<td>Ya57, 2005</td>
<td>Director of sovkhoz</td>
</tr>
</tbody>
</table>
Local self-government development in Russia was not considered a priority of the state policy. In addition, there was not much research done in this field. Many studies preferred to explain institutional changes at the national level rather than at the local. The aim of this research is to understand what role and place in the Russian political system and society were given to local self-government by the municipal reform, and how rural areas reacted to these changes.