DECENTERING THE RUSSIAN STATE: LOCAL GOVERNANCE OR REGIONAL CONTROL?

THE CASE OF THE SAKHA REPUBLIC AND THE CITY OF YAKUTSK

by

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ABSTRACT

This thesis explores the processes and consequences of decentering the state in the Russian federation and the effects on local government. The methodology employed draws from the literature on decentralization, local government, political transitions and Russian Federalism and intergovernmental affairs. The study focuses on how Russia's regions between 1991 to 1995 were able to wrestle significant power and authority from the centre. It is argued that decentralization has increased the power and autonomy of the regional governments, while Russia's local governments have been left with few resources to administer the services downloaded to them.

A case study of the Sakha Republic and the City of Yakutsk is employed to both demonstrate the increased role of regional administrations in post-Soviet Russian society, and to determine the degree of decentralization to the local level. A study of two housing projects is used to examine the effectiveness of regional and local decision-making and the delivery of services. The thesis concludes that the level of power delegated to Russia's local government, where responsibility for day to day administration is most salient, may serve as an indication of the overall level of reform in the Russian state.

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INTRODUCTION

The collapse of the Soviet Union left the Russian Federation struggling to divide power and authority among the central, regional and local levels of government. The centrifugal forces that tore apart the Soviet Union continued to animate post Soviet Russian politics. Since 1991, Russia's eighty-nine administrative regions have experienced various degrees of success in their pursuits for power and autonomy. The de-centering of the Russian state occurred amidst a weak institutional framework and many regions (*sub"ekty*) were able to take advantage of this weakness and grab more power and authority from Moscow than seemed conceivable only one decade earlier. While much scholarly attention has focussed on the power struggle between the centre and the regions, the demarcation of power between centre and periphery also includes the demarcation of power and authority among the more than 2,000 municipal and *raion* level governments. This thesis focusses on the decentralization of political power away from Moscow in post-Soviet Russia, and questions whether the current process of decentralization in Russia has divided power and authority between the regional and local level. These local governments, distinct from the regional governments of the *sub"ekty* of the Russian Federation, are responsible for numerous services that affect the day-to-day lives of Russia's citizens.[1] An analysis of the dynamics of decentering may help illustrate what kind of balance of powers between the regional and local level is emerging in the Russian Federation.

During the Soviet period, the Russian Federation was characterized by hypercentralization, with most decision-making power concentrated in Moscow. Regional and local governments were subject to federal ministries and the Communist Party.

The decentralization of power in post-Soviet Russia includes at least three critical

elements: the election of regional and local governments; the distribution and control of budgetary revenues; and division of authority and responsibility for service delivery. All three are essential to Russia's transition from a command administrative economy to some form of market democracy.

With 74 percent of Russia's population living in urban areas, municipal local governments are an integral part to Russian reform. This is especially evident when we consider that the most important services to Russians, such as housing, health, and education, are delivered by local governments.

The transfer of power and authority from one level of government to a lower level is a considerable challenge in any state. This transfer is, however, of particular importance in the emerging Russian Federation with its legacy of a highly centralized political and economic system. In the power struggle between Moscow and the regions, local governments have been left somewhere in a political void, where power and authority remain ill-defined. While Russia's regions have gained *de facto* and *de jure* power in terms of political autonomy and control, over the allocation of resources and budget revenue, local governments are in a considerably weaker state. *De jure*, local governments have gained numerous rights, but *de facto* they continue to lack the power necessary to meet these new responsibilities.

Defining power and authority among levels of government has very strong implications for the future of Russia's economic, political and social structure. As Samuel Huntington notes, if a society is to maintain a high level of community, the expansion of political participation must be accompanied by stronger, more complex, and more autonomous institutions which would include transfering power to the lowest level of government.[2] In order to comprehend the

decentering of the Russian Federation, one must investigate the capacity to govern among all levels of government.

Since the collapse of the Soviet Union, there has been a marked increase of scholarship on intergovernmental relations in the Russian Federation.[3] Noted throughout this literature are the centrifugal forces that have usurped much of Moscow's power. While a variety of approaches have been employed to investigate the profound changes that have occurred, this thesis argues that an institutional approach which examines the new structures of government and intergovernmental relations with particular attention to local governments may be the most effective means to investigate this aspect of political change in Russia. For the purposes of this thesis, local government is defined as the level of government at the municipal level. This thesis adopts a multi-level analysis of politics of one republic to explore the division of power and authority among three levels of government: Intergovernmental relations are explored among the City of Yakutsk, the Republic of Sakha (Yakutia) and the Russian Federation.

Beyond the narrative of intergovernmental relations, this study employs a case study approach to examine the hypothesis that local governments are able and efficient service providers. The case study approach provides primarily theory-building, not theory controlling, but can provide perhaps the best foundation for conceiving of generalizations.[4] This focus is not meant to establish any specific claim that local government is the most critical dimension of intergovernmental relations. But through the evidence gathered here, the conclusion is made that devolution has not occured to the local level, and local government as the critical third leg of a three legged stool of effective democratic government has not been fully realized.

This attention to intergovernmental relations in Sakha is part of an investigation of the

general challenge of decentering the post Soviet Russian state. Accordingly, this thesis draws attention to: (1) devolution and the increased power of Russia's regions; (2) the level of decentralization to Russia's local governments; and (3) a comparison of service delivery by the local and regional level in terms of housing. Chapter One defines the concepts of decentralization, local government, transition and federalism, and examines these concepts in terms of the Russian Federation. Chapter Two studies the demarcation of power in the Sakha Republic from 1991-1995. It is argued that decentralization from Moscow has been positive for the Sakha Republic, which has gained significant autonomy and the power and capacity to govern. In contrast, while the municipal government of Yakutsk has been delegated numerous responsibilities, it remains without the necessary resources to govern. Chapter Three then provides a study of two housing projects, one delivered by the Sakha Republic and the other by the city of Yakutsk, to examine the effectiveness of service delivery and policy planning of two different levels of government. This chapter concludes that if given the resources, local governments can provide more efficient and effective service delivery. The last chapter summarizes the main conclusions of the thesis, speculates about the future of local government in Russia, and offers suggestions for further research.

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[1] For the purpose of this thesis, the term "centre" refers to the federal government in Moscow, while "region" refers to the eighty-nine administrative territories or sub"ekty known as the republics, krais and oblasts . Local government refers to the municipal level, which includes the raiony, towns and rural settlements.

[2] Samuel P. Huntington, *Political Order in Changing Societies*, (London: Yale University Press, 1968), 85.

[3] Early post Soviet research includes Gail Lapidus and Edward W. Walker, "Nationalism, Regionalism and Federalism: Centre Periphery Relations in Post Communist Russia, in Gail Lapidus ed., *The New Russia: Trouble Transformation* (Boulder: Westview Press, 1995), 3-12; John F. Young, "At the Bottom of the Heap: Local Self Government and Regional Politics in the Russian Federation," in J.L. Black, Joan Debardeleben, and Peter Stavrakis eds., *Beyond the Monolith: The Emergence of Regionalism in Post-Soviet Russia* (Baltimore: John Hopkins Press, 1997); Christine I. Wallich, ed., *Russia and the Challenge of Fiscal Federalism*, (Washington DC: The World Bank,

1994); and James Voorhees, "Russian Federalism and Reform," *Demokratizatsiya* Vol 2, No. 4, Fall 1994, 549-565.

[4] Giovanni Santori, "Comparing and Miscomparing," *Comparative Politics Notes and Readings*, in Benard E. Brown and Roy C. Macridis eds., (Belmont: Wadsworkth Publishing Co., 1996), 25.

Chapter 1

DECENTERING THE STATE, LOCAL GOVERNMENT AND DEMOCRACY

The de-centering of the Russian state can best be understood with reference to four separate, but related, bodies of literature: (1) literature on decentralization; (2) literature on local government; (3) literature on transition; and (4) literature on federalism. These four bodies of literature are used to discuss the concepts of power and authority in terms of the different levels and systems of government. An attempt is made to bring together these bodies of literature to examine intergovernmental relations in the Russian Federation.

Decentralization

Decentralized government involves the transfer of authority to lower levels of government. Decentralization usually occurs as a result of financial and administrative constraints on the centre as well as a fulfillment of the desires and aspirations of local and regional governments. The concept of decentralization, however, is a general one, which can lead to a significant amount of confusion between policy and process, particularly concerning who or what might initiate the flow of power away from the center. Three interrelated concepts fall under the umbrella of decentralization: *delegation, deconcentration* and *devolution.* The *delegation* of authority is a formal distribution of power among levels of government, through which influence is expressed by legislative, judicial and administrative means. These powers are usually defined and granted by central laws and decrees rather than a

constitution.[1] In contrast, *deconcentration* involves the transfer of responsibilities from the central administration to officials at the local level, although these same officials may remain accountable to the center.[2] The delegation of authority includes a degree of legitimacy and autonomy for lower levels of government, while the deconcentration of authority involves the transfer of responsibility to appointed officials in the lower levels of the bureaucracy or administration. Deconcentration may or may not include the requisite authority or financial resources to administer the program or service. The distinguishing feature of the *devolution* of power is that political authority is transferred to area governments through legislative enactment (unitary or federal states) or allocated by a constitution (federal states). The devolution of authority to regional areas from central legislation or a constitution creates political institutions with the right to make policies for their areas in which they have jurisdiction. Devolution thus includes a measure of autonomy, legitimacy, and usually some independent revenue. Thus, as a general term, decentralization does not necessarily involve devolution, since the transfer of power or authority from a central government to a regional or local one may be either temporary or without autonomy.[3] As B.C. Smith notes, the discretion with which regional and local governments act is largely determined by the influence or control which the national government can exercise over 'subordinates' (in a unitary state) or 'partners' (in a federalist state). The relationship of territorial units with the centre is thus of prime importance to understanding decentralization.[4]

While decentralized government may not be a panacea for local government, it does involve an arrangement and sharing of power and an acceptance of the division of power. It also serves as an important indicator in transitions from autocratic regimes. B.C. Smith has

identified five indicators that reveal the level of autonomy in a political system. The first indicator of a decentralized system involves the functions or powers of subordinate levels of government. These functions or powers may be indicated by a subordinate government's authority over policy and services, or as a share of local expenditure. A second indicator is the level of delegation to local governments or the degree to which decision-makers from the locale are able to meet the needs of the community, as opposed to the need to appeal to superior levels of government for permission or resources. A third test of decentralization is the revenue-raising power that is delegated to subordinate governments. What is at issue is not necessarily the size or source of the grants but the degree of autonomy possessed by the lower level of government to use it. A fourth factor involves the process used by the state to create local governments. The prospects for decentralization are greater when local governments have a legal existence independent of a central executive. Smith points out, for example, that when local government authority is delegated by the legislature, there tends to be more decentralization than when the delegation is from the executive. And finally, the structure of the political system itself is also a significant factor on the level of decentralization. Although decentralization varies according to the centre's willingness to decentralize power, the more levels in the territorial hierarchy of the state, the more opportunity for 'discretionary gaps' or leakages of power.[5] Smith's indicators will be useful later in discussing the degree of decentralization in Russia.

Given the ambiguity around the term decentralization, particularly concerning the use of the term to describe the process both as an event and as a policy (both unintended and intended, and as initiated or resisted by the center), "de-centering" is used as a descriptive

term to refer to any process through which power and authority moves away from the center. While it is too early to ascertain either the intent or the stability of the centrifugal forces in contemporary Russia, we can safely conclude that power and authority have moved away from Moscow and towards the periphery. Decentering thus refers to the process of the transfer of power from one level of government to another. Decentered government refers to a system of territorial units, with defined boundaries, legal identities, institutional structures, powers and duties and measures of financial autonomy. For those concerned with normative evaluations of forms of political authority, Smith suggests that such government can imply two fundamental conditions. The first condition is that decentered governments will be self-governing institutions (not governed by agents of a superior government); the second is that local self-governments will be democratically recruited.[6] To limit misconceptions that might arise from liberal use of the term decentralization, we thus distinguish between policy (decentralization) and process (decentering the state). To reiterate, it might be too much of a stretch to suggest, imply, or assume that Russia is decentering by design rather than by default.

Local Government and Democracy

What is the rationale for studying local government? From a theoretical standpoint, there appears to be some conflict among scholars regarding the relationship between democracy and local self-governance. The definition of democracy, on one hand, is concerned with the national political system based on citizen participation and majority rule, whereas local government is concerned with policies at the local level. In general, advocates of

decentralization to local government consist of two groups. The first group considers self-government to be important to national democracy and stresses three functions: political education, training in leadership and political stability.[7] The second group supports the contributions of local governments at the local level, and emphasizes equality, liberty and responsiveness to people's needs. On a more practical note, the latter group emphasizes the important role that local governments play in the provision of roads, water supplies, energy, communications, physical planning and urban development.[8] Local government, it is argued, is the closest level of government to the people and should therefore be responsible for implementing, or deciding policies that directly affect the day-to-day lives of citizens. A further argument is that local governments are more efficient in meeting local demands and providing local services. In order to meet local demands and services, however, local governments require authority and power to administer such matters. A de-centered state can relieve the burdens on the central government and administration by reducing communication overload and costs while providing for a more responsive and efficient system by utilizing local resources and services.

De-centered self-government is a very important component of political, economic, and social change in the Russian Federation. After centuries of autocracy and seven decades of what some refer to as totalitarianism, Russia has very weak traditions of divided powers and local government. Those who advocate a more de-centered system of government argue that decentralization is a necessary condition for social, economic and political development.[9] Lippman, for example, has suggested that the two main purposes of local government, civic education and provision of beneficial public services, reflect community and efficiency.[10] The

introduction of areal division in government may invite complications, yet self-government within a community can be a force to synthesize civic identity and participation. This tendency is likely to be stronger when the people within a community are to some extent self-governing in the double sense that they have power and the initiative to use it.[11] The delegation or deconcentration of responsibilities depends upon both the form of decentralization chosen (political or bureaucratic) and the functions to be performed by subnational institutions (ie. road-building or housing).

In reference to the literature on civil society, democratic culture requires that a sizable segment of the population can participate actively in the life and governance of the state.[12] Strong local governments contribute to democratic consolidation and economic development in many ways. First, they provide a barrier between central government and citizen to protect against any abuse of central power or any tendencies to ignore local interests and concerns. Second, elections at the local level provide the foundation for democratization and political parties at the federal level. And third, local governments, if given the necessary resources and power, provide for political and economic transition. Jonathan Fox, for example, has argued that the failure of most Latin American countries to consolidate their democratic gains in the 1980s was a result of the traditional centralized, top down approaches by the national governance throughout the region. [13]

Transition

The primary focus of literature on transitions from authoritarian or communist regimes to market-based democracies is on privatization, the liberalization of prices and establishing a

parliamentary, multiparty system. However, democratic consolidation calls for an institutional environment enabling genuine participation of citizens in making decisions relevant to community development. This challenge is made difficult because the fruits of local self-government are complicated by ill-defined power and authority. As Hicks and Kaminski have noted, during any radical stage of transformation there is often a lack of clarity in terms of the constitutional or legal environment among various levels of government. As such, the centre must play a dominant role in providing a coherent framework for governing.[14] Yet successful democratic consolidation requires the institutionalization of rules that define not only the parameters of state and society, but also the parameters for both central and local government. This is a particular challenge for states with strong autocratic legacies - the transition risks political gridlock among the various levels of government - and all the more so in Russia because of the regional tier so firmly situated between the center and local governments.

The challenge of de-centering the Russian state involves negotiating a flow of political power and authority from the central to regional level, and from the regional to the local level. Again, it is critical to emphasize that such decentralization of power and authority has occurred both as transfer and as usurpation. Regions gained enormous clout in Russian politics in the aftermath of 1991 and they did so sometimes in agreement with Moscow, sometimes in opposition. This thesis argues that beyond these dual processes, decentering the state must also include the decentralization of authority from the regional to the local level, something that so far, as we shall see below, has occurred with little success.

The challenge of demarcating power is particularly acute in contemporary Russia where both authority and power are still being defined. Authority (or responsibility) may be

declared by constitutional or legislative provisions which assign competence over a particular issue to a particular level of government But unless such authority is also matched with sufficient resources (power) to meet the given issue, then the authority is a liability and rendered quite meaningless.[15] As Smith suggests, although delimiting subnational areas between government and administration appears to be simply a case of matching areas to function and creating a governmental jurisdiction encompassing the natural boundaries of the problem, the task is far more complex. Decentralization involves balancing strong political pressures: the bureaucracy, local political elites, culturally distinct regions and other players who stand to lose or gain in the political process.[16]

Federalism

Decentering the state thus involves the political reorganization of state territory. As E.R. Black suggests, the degree to which powers should be concentrated in authorities at one territorial level is a universal problem in politics, but is of special importance in constitutional regimes which are federally organized.[17] Federations and unitary states face similar problems when it comes to the allocation of powers, including taxation and the resultant intergovernmental relations, the creation of democratic and bureaucratic institutions, and the need to legitimize the state. In federal systems, however, there is a legal permanence that comes from the constitutional delineation of powers. And while the distribution of power to the municipal level varies according to the system of government, a federal system invites comparisons to a three dimensional chess game in terms of complexity and possible permutations.

The key feature distinguishing federal states from unitary states is the constitutional guarantee of regional governments. A federal constitution explicitly divides power between the central government and regional units of government, and each of these two or more levels of authority possesses some exclusive power of its own. Other aspects include: an upper house of parliament (normally elected directly or indirectly by the people of the several regions, which represents the regions and which has some power to block or delay legislation originating in the lower house); possession by the regions of some measure of discretion in shaping and regulating their respective systems of local government; and the exercise of some control over central-regional relations by the constitutional court wielding the power of judicial review.[18] There are, however, some similarities facing unitary and federal states. In a federation, each region will need to subdivide its territory for the purposes of decentralization to the lower levels of government, and it is this delegation of authority facing constituent governments of a federation that correspond to the delegation facing unitary states.

The local level is an important dimension with both unitary and federal states. Some unitary states develop a quasi-federal guarantee that the local units will not be abolished or deprived of substantial powers. Macmahon defines inter-level statutory devolution in which responsibility and authority occurs in part by self-governing units at a more local level.[19] This quasi-federal element occurs in half of the states in the United States through constitutional home rule for cities. The states' constitutions offer city electorates the opportunity to adopt charters for their government, creating whatever structure is desired as long as their assumed powers do not conflict with state-wide concerns.[20] The structural difference in regional discretion towards lower levels of government will depend on whether the intermediate levels

are acting out of duty and as agents for the centre as in a unitary state, or voluntarily as in a federation (Canada, US and Australia). As Smith suggests, the comparative analysis of unitary states and federal states reveals that the distinction between the two systems is less clear than is usually believed, and the issue at hand, whether federalism is more decentralized than a unitary constitution, is a matter for empirical investigation rather than definition.[21]

In the case of the Russian Federation, many dimensions of federalism, such as a constitution, fiscal relations, and clearly defined power and authority, remain in their very formative stages. Because of the very fluid nature of inter-governmental relations in post-Soviet Russia, perhaps the most relevant question to ask focusses on the degree to which decentralization in Russia is occurring? This thesis thus draws from these four approaches of decentralization, local government, transition and federalism to examine the increased power and authority of regional governments, and to determine the degree to which decentralization has occurred at the local level in Russia. To do this, this thesis will focus first on the regional level, and then turn attention to the local level. This period of political transformation, state building, and institutional reform in Russia includes the struggle for power and authority between the centre and the regions, and then also towards local government. This struggle also offers insights into the dynamics of Russia's transition.

Decentralization in the Russian Federation

One of the main problems of transition from communist to post-communist regimes has been the over-centralization of regime government and the lack of autonomy at the local level. Decentering power in the Russian Federation involves an intense struggle to define

power and authority among the levels of government. Much of the existing scholarship has focused on the institutional state building provided by the centre, and the corresponding intergovernmental relations in the federation. The simultaneous devolution of power from the executive branch of government to the legislatures (and back again), as well as from the central administration to regional agencies have become the principal foci both for those who seek a more democratic order in Russia and for those who seek to analyze the transition from the authoritarian or totalitarian Soviet past.[22] Ironically, the hypercentralized Russian state suffered from under- institutionalization in that neither regional nor local government had sufficient resources or authority to provide for local matters. Russia's recent attempt to decentralize authority and power among the levels of government seeks to provide a framework for intergovernmental relations.

While the Soviet Union was, in theory, a federal state, in practice it was a unitary state with the central government controlling decision-making authority and power. To administer Russia, Lenin's solution was to create a dual network of Party and State with the vertical hierarchy of the latter identical to the former.[23] The Soviet Union was based on dual democratic centralism in which all organs of state power and state administration formed a single system and worked on the basis of this subordination of lower organs to the leadership and control of higher organs.[24]

Political institutions in Soviet Russia were based on the primacy of local legislative institutions called "soviets." The word soviet translates as council and was a form of local government peculiar to Leninist communist organizations.[25] A city soviet could number as high as two hundred elected deputies with most power residing with the executive committee

(ispolkom). The deputies of the city soviets were elected every two and half years and met four times a year with sessions lasting at most two days. The day-to-day activities were entrusted to the executive committees and the departments of the soviets. The executives, the Chairperson, and secretaries were full-time salaried officials. Whereas in theory the executive committees were elected by deputies, in practice they were selected from above by Party personnel, as were the heads of departments and other leading officials.[26]

The city soviet was subject to the regional (oblast, republic or okrug) party committee first secretary who maintained control over appointments and political recruitment within the region. No city deputy was nominated at the work place without the support of the secretary of its party committee, a person appointed by the Obkom, and no member of the ispolkom gained office without selection by the party. The soviet voted unanimously for a slate of candidates for the ispolkom put before it, also subject to party approval.[27] The city soviets basically served as a rubber stamp of the executive - ispolkom. Most political power in Russia was concentrated in the executive where the Party had a monopoly of power in terms of recruitment and decision-making. Deputies in the city soviets provided a safety valve for the regime, a means by which citizens could air grievances concerning the improvement of living conditions, arrange for the necessary repairs to houses to be carried out, press for surplus funds to be directed to the construction of a kindergarten or club, or see to the mending of a road or bridge.[28] The central government was responsible for the overall plan and budget, and the regional level was the agency of administrative control through which the centre implemented policy. The region oversaw the expenditures of local governments and was the channel for central fiscal flows to the localities. Subnational governments were thus

essentially deconcentrated units of the central government with little political or financial autonomy. Policy-making was controlled and centralized, and regions and local governments had virtually no independent tax or expenditure powers. Regional and local government budgets were directed by the central plan.[29]

Decentered Power: De facto and De jure, 1991-1995

While Mikhail Gorbachev hoped to improve executive accountability by revitalizing the soviets during the late 1980s, the process of decentering power really began in 1990 as Boris Yeltsin sought the support of the regions in his attempts to break the power of the Union government in Moscow. The collapse of the Soviet Union and the dissolution of the Communist Party bequeathed to the Russian government an imploded empire which resulted in a vacuum of power. The division of power in the successor Russian Federation was complicated by an intense struggle for power and resources in an emerging multi-tiered federal state.

Part of the challenge posed to Yeltsin was the institutional legacy left from the Soviet period. Russia, unlike the United States, Canada and most other federations, has an institutional arrangement in which its constituencies are of unequal legal status. The structure of hierarchical relations within the Russian Soviet Federated Socialist Republic (RSFSR) included five distinct types of administrative-territorial units, each with somewhat different rights. These units included forty-nine non-ethnically defined oblasts (provinces), six krais, and thirty-one ethnically defined "autonomous areas"; sixteen of the latter were autonomous republics, five were autonomous oblasts, and ten autonomous okrugs. In 1991, Yeltsin made

an important modification to the RSFSR's administrative-territorial hierarchy. The sixteen autonomous republics and four of the five autonomous oblasts were given the status of national republics, while the other sixty-six subjects of the federation - the forty-nine oblasts, six krais, the 'federal cities' of Moscow and St. Petersburg, the Jewish Autonomous Oblast, and ten autonomous okrugs were regarded as territorial units of state administration.[30] The republics, which collectively contain a small minority of the population, were given the right to elect their own president, and received preferential control over their natural resources and budget revenue. Russia's oblasts and krais were not at first entitled to these same rights. This asymmetry, based on territorial and national-territorial boundaries with different rights, has served as a continual source of conflict in the development of Russian federalism. Oblasts and Krais have lobbied hard to be given equality with national republics in terms of political and economic autonomy.

Given the centrifugal forces in the Russian Federation between 1991 and 1995, power was dispersed among regional governors (most of which were originally appointed by the President), and republican presidents.[31] While the federal government made attempts to institutionalize a division of power with the Federal Treaty (1992) and subsequent Russian Constitution (1993), budget issues, taxation, resources and jurisdiction remained ill-defined. [32]

Russian politics were thus characterized by struggles and conflict between the centre and regions over authority and power rather than by any specific policy of devolution. But while regional governments made substantial gains in power (to be outlined below), local governments were largely left reliant on the regional and federal level.

Yeltsin did make attempts to consolidate his power in the Russian Federation by

appointing regional governors and decreeing executive privilege over appointments to local governments in the aftermath of August of 1991. Yeltsin's intention was to create an executive that extended throughout Russia's regions.[33] In turn, governors appointed heads of administration at the city, rayon and okrug levels. Yeltsin instituted this system to ensure reforms would be followed at the regional and local level. More importantly, Yeltsin wanted to take decision-making authority away from the local Soviets which, in many cases, were largely bloated, anti-reformist remnants from the Soviet past.[34] Yeltsin thus disbanded the Supreme Soviet and local soviets in the Fall of 1993, while elections did not fully take place to these new institutions until after 1995. Prior to 1995, the whole process of removing local and regional officials did nothing to improve autonomy among the lower levels of government. Regional governors and republican presidents, and their executive bodies and mayors, were left with relatively unchecked power and authority with the removal of the regional and local soviets. Since direct appointment of local executives was the norm until 1996, the web of power remained largely under the direct influence of the regional executive.

The Russian federal government's attempt to institutionalize a division of power with the March 1992 Federal Treaty and the December 1993 constitution encompassed the most critical stage of Russian state-building. This flux in governmental institutions meant there was only a shifty foundation for the development of intergovernmental relations. The Federal Treaty of March 1992 serves as an example of the lack of clarity in centre-regional relations and centre-local relations. Yeltsin increased the powers of the twenty republics (later twenty-one), in terms of the form of government, taxation at the local level, foreign trade, foreign investment and even joint jurisdiction over surface and subsurface rights. The oblasts

and krais were awarded fewer powers than the republics and less control, in that their authority was ill-defined or left in the hands of Yeltsin's appointed officials.[35] As Gail Lapidus notes, the Federal Treaty, although only a temporary measure, did not provide a clear division of authority, especially by leaving many areas under both joint centre-regional jurisdiction. The Federal Treaty did little to alleviate the questions of ownership of natural resources, the distribution of profits and exports between the centre and the sub"ekty and relative share of taxation. The extent and distribution of subsidization of local budgets from the federal treasury were left to future negotiation or enacting legislation.[36] In this political landscape, local governments were put in the most precarious situation because they were subject to joint jurisdiction under the central and the regional government. Local governments, in terms of their authority and power, were left in a political vacuum as a result of the fight for political authority between the centre and regions. Lacking any real power or autonomy, local governments were left to assume the role as political pawns in the power game between the regional and central government.

While the Federal Treaty provided a temporary truce in center-periphery relations and allowed Yeltsin to concentrate his efforts on executive-legislative conflict in national government, the Treaty did not resolve the confusion between the federal government and the sub"ekty. Indeed, because Yeltsin became preoccupied with his battle against the Supreme Soviet, regions withheld taxes, asserted ownership of natural resources, and entered into bilateral agreements with foreign ventures and regions with impunity, all in violation of Russian Federal law. In 1993 the number of regions refusing to meet their obligations to the federal treasury grew to thirty.[37]

The Russian Constitution, approved in the December 1993 referendum, was another example of the challenges and contradictions inherent in defining authority and power among Russia's levels of government. The constitution was an attempt to rollback the Russian Federation's asymmetry by ignoring much of the text of the Federal Treaty while maintaining or re-gaining more power for the centre. In the final draft of the December 1993 constitution, for example, at least four points were altered from previous drafts: the clause that described republics as sovereign states was dropped from the text; the right for republican citizenship was removed; the Federal Treaty, save one article, was not mentioned; and the permission of special status for some sub"ekty of the federation was abolished. The constitution states that all members are equal in their relationship with the federal leadership.[38] Robert Sharlet viewed the new constitution as an instrument to bolster the position of the federal president in regards to the 'subjects of the federation'. The Federal Treaty text, which was represented by article 5.5 in a draft constitution of July 1993, ensured decentralization of power; in the final version of the constitution, it ensured a uniform system of state power.[39] The centre's strengthening of federal powers, exemplified by exclusive federal jurisdiction and joint federal-regional jurisdiction, in which federal acts take precedence, seems to have left no independent powers to subordinate levels of government (Articles 71, 72, 76, 77). In addition, the president could suspend acts of regional and republic governments (Article 85). The president also has power to appoint and remove representatives of lower administrations (Article 83).[40]

Thus, while the constitution declared Russia a federal state, the new law was also a deliberate move to strengthen the power of the centre. Perhaps the constitution's biggest flaw was that it violated one of the main principles of a federal system, namely a clearly-defined

division of power. Such clarity is a prerequisite for any federal system. That it is still missing is a recipe for conflict. Russian commentary on the constitution seems to agree that the spirit of the Federal Treaty was included in the constitution even if the letter of the Treaty was missing. And even though the Russian constitution may appear to vest power and authority predominantly in the president, the political reality in post-Soviet Russia does not reflect this. Reflecting on these contradictions, Edward Walker suggested that the constitution was not intended to be a legal document that would completely define centre-regional relations. Instead, the constitution would leave some areas open to further negotiation between the federal government and the subjects of the federation. Accordingly, since 1991, there have been roughly 200 laws dealing with federal relations and numerous individual agreements between the centre and regions. Indeed, the Russian Constitution and Russian federalism need much legislative interpretation by Russia's Constitutional Court.

From 1991 to 1995, two important points can be highlighted with regards to the development of Russian federalism. First, regions had significantly increased their power and authority vis a vis the centre as many tenets of Russia federalism were still being worked out. Although a *de facto* devolution occurred; the *de jure* aspects were yet to be established. Second, among the many areas under joint jurisdiction in the Russian Constitution, Article 72 (m) placed the establishment of the general guidelines for the organization and system of state power and local self-government under both the centre and regional level. As a consequence, no clear direction was given to the extent of power and authority at the local level. Power and authority among the central, regional and local level were worked out on an *ad hoc* basis, amidst this difficult period of reform.

Russia's regions possessed more *de facto* power and authority than the Russian constitution portrays, and Russian intergovernmental relations between 1991-95 can only be understood by specific reference to a number of factors, including: time (the authority and power of various institutions varied from one specific time period to the next); personalities; the structure of regional economies; shifting coalitions; and the pace of changing political priorities.[41] In such fluid circumstances, there were two primary levels of power used by Moscow to effect an element of centralized controls. The first of these was the appointment (where possible) of regional governors. [42] Yeltsin's appointees, however, were not always as faithful as he anticipated, and had the capacity to act through executive orders and decrees, as Yeltsin did with the Russian parliament and regions. Furthermore, Yeltsin's power to make and terminate such appointments at the oblast and krais level was successfully challenged by the Russian parliament in late 1992 and then by the regional elections after 1995. This power of appointment was not imposed on the republics; since 1991 they elected their own presidents.[43] Within the oblasts and krais, Yeltsin's exercise of his power to remove governors arbitrarily was met with resistance. Public resistance to Yeltsin's removal of governors forced Yeltsin to back off his decision on more than one occasion, illustrating the growing autonomy of the regions. In March and June of 1992, for example, President Yeltsin was forced to reverse his decision on the removal of governors of Irkutsk, Altai and Omsk Oblasts.[44] After the dissolution of the soviets in October of 1993, President Yeltsin issued a decree in December stating that for the next two years (the period for which the new regional and local representative organs were to be elected) the heads of regional administration would be

appointed or dismissed only by the president.[45] Some (gubernatorial) elections, however, had already taken place and the rest were slated for 1996. The right of the regions to elect their own governors was a result of regional executives demanding the same authority as republics, in the hopes that regional mandates would increase gubernatorial autonomy form Moscow.

A second lever for central authority was the allocation of budget resources to the regions and republics. Economic and political problems plagued Russia long before Yeltsin's government took over the institutions from the Soviet Union. Inflationary pressures were accelerated as Yeltsin removed central controls, including the control over pricing. Yeltsin responded to this fiscal pressure by devolving responsibilities for capital investments, management of social programs, and part of the privatization effort to the regions. From a regional perspective, the federal government had transferred social and subsidy spending to the regional level. In the third quarter of 1993, regions were responsible for the costs of 90% of health care, 79% of education and 70% of the subsidy-laden national economy.[46] This shift of responsibilities caused severe financial constraints on regional budgets, and its success was limited. The weakness of the centre led many regional governments to unilaterally increase their share of major tax revenues.[47] Thus, the devolution of responsibilities actually increased the power of regional government as regions financed programs that the centre could not. In federations such as Canada and the United States, the federal government collects revenues and disperses assistance to the poorer regions from the less poor regions. In the Soviet and early post-Soviet Russian budgetary systems, revenues were collected at each level and shared upward. This fiscal arrangement, combined with a down-loading of responsibilities, provided justification for regional governments to withhold revenues from the centre.[48]

Regions were able to increase their financial independence in other ways as well. Regional budgets in 1993 were on the rise in key sectors, including 69% of the revenues that come from the tax on profits and 36% from value added tax receipts. These are the two largest sources of revenue for the consolidated budget.[49] Another source of income was off-budget funds. These are legally part of public sector revenue and spending, but are located (as are the federal level off-budget funds) both in the accounts of enterprises and in accounts under direct government control. Off-budgetary funds in Ulyanovsk in 1993 accounted for an additional 5% to the resources of regional government coming from thirty different sources of revenue, most of them based on the taxation of market activities.[50]

In spite of these fiscal gains, all but a few regions still relied on federal subsidies. Subsidies came to make up more than half the budget of some regions, and the exact amounts were usually left to negotiation or special consideration during visits from central officials, such as Prime Minister Chernomyrdin. This carrot approach, however, allowed regions to bargain for political favors. And, as it turned out, the centre could not always deliver the promised subsidies as a result of its own declining fiscal strength. Some regions withheld tax payments to the centre because federal transfer payments had often been delayed or not come at all. When money transferred to the federal government did make its way back to the region it was seriously devalued by inflation.[51]

The standard for redistribution of budget revenues revealed no coherency at all. In fact, the Russian system of revenue sharing was not a system at all but rather a series of *ad hoc* bargaining agreements.[52] In 1993, for example, the Sakha Republic, which is one of the richest regions in Russia, was allowed to keep all federal taxes at the regional level. In 1995,

a new agreement allowed Sakha to keep not only all federal transfers but actually increased its ownership of diamonds and gold. The federal government's move was not, however, out of benevolence. Federal government obligations to Sakha were in arrears to the tune of billions of rubles in transfer payment. The federal government allowed these concessions to Sakha in order to secure support for Yeltsin. What did become apparent was that the federal government had neither the resources nor the clout suggested in the constitution. Regions and republics withheld federal transfer payments because of the failure of the federal government to redistribute resources and provide a defined system of intergovernmental relations.

If anything was made clear from the early years of Russian reform, it was that regions were viable actors within the Russian Federation. Elections took place at the regional level and new elected legislatures were established. As Jeffrey W. Hahn noted, "politics was now real."[53] Contenders for political power derived their position by successfully claiming to represent the interests of one or another social group. No longer was power concentrated only in Moscow. And no longer could one consider Russia's regions homogenous in terms of power and authority.

Decentering the State and Local Government

Russia's regional governors and republican presidents were not only major players in the Russian Federation, but also within their respective regions. The republics' and regions' new-found power was concentrated in their executive branch. Legislative and local authorities struggled to attain resources and power from an increasingly powerful executive. While the struggle for power between federal and regional governments reflected similar struggles between

institutions, the centrifugal flow of power was not. In this sense, the role of regional authorities in the development of local governments is an obstacle that must be overcome if local self-government is to be realized.

The problem of institutionalizing local governments in Russia, as Young suggests, was in trying to construct new structures of both local government and regional executive power upon the shifting sands of Russian federalism.[54] Joanna Regulska indicates the problem in developing local authority and power can be attributed to the fact that some issues were not discussed before the enactment of legislation.[55] Such issues not addressed included the division of power and responsibilities among disparate levels of government; the role of intermediary levels (regional and sub-regional) in the overall system of self-governance; and service organization and delivery under decentralized governance and the market economy. It is this second factor, the role of sub-national governments, that has been the major obstacle to achieving local power.

One of the most critical issues that post-Soviet Russia faced was the institutional reform of local government. The first step to devolve authority to the local level took place in 1990 with the first democratic elections. The attempt to reform local soviets began soon after these elections and a draft law on local self government was finally passed by the Russian Supreme Soviet in July 1991.[56] However, subsequent local elections were postponed until March of 1994. A move to further reform local government took place in 1993 when Yeltsin disbanded the soviets at the city level and below.[57] Yeltsin ordered elections to regional and local soviets to be held between December 1993 and March 1994 and recommended that republican parliaments hold new elections and ensure the restructuring of the representative branches of power at lower levels in their areas.[58] The result of the reforms in practice left

local governments with little or no resources to administer services in their respective areas and relatively little effective power. In most cases Russian local governments did not lack the decision-making responsibility but rather the necessary resources to govern effectively. Where the regions were able to take advantage of the ambiguity in centre-regional relations, the local governments depended on regional benevolence. The same levers that shaped centre-regional relations were used by the regional governments to maintain their monopoly of power and authority in their regions. A major lever of power within the regions and the republics was the amalgamation of power within the executive body. The republican presidents and regional governors and ministries were responsible for everything, from the distribution of food to construction materials. The central government's devolution of responsibilities to the regions left no guarantee that local governments would be taken care of. Local governments were dependent upon the willingness of federal ministers or regional governors to distribute these materials.

A more obvious source of regional dominance was the authority to appoint or remove personnel to subordinate levels of government. Executive power, including the appointment or removal of officials in their regions, was implemented to prevent anarchy and the disintegration of the Russian Federation.[59] The process was also launched to prevent local elites from exceeding their authority and controlling local politics. This tendency to replace elected officials was in most cases arbitrary at best, and at the expense of building democratic norms. In the case of Vladivostok, the highly touted elected mayor Cherepkov was removed by Governor Nazdratenko of the Primorsky Krai, in which Vladivostok is the capital city. Cherpkov was removed by force by OMON officers, much to the dismay of citizens of

Vladivostok, who rallied in support of their deposed mayor. Cherepkov was replaced by Tolstoshein, who had previously lost the mayoralty election to the former mayor by a large margin. Elections were postponed, some local newspapers were closed, and a few members of the local radio and newspaper were fired.[60]

The removal of local officials had also occurred in other regions as well.[61] Although local elections have occurred since 1994, regional and republican executive bodies have still dominated local politics. For example, regional governors and republican presidents still nominate their candidates for regional and local elections and have at their disposal financing and political clout that is much more powerful than that of any individual candidate.

Although regional governments had increased their control over budgetary revenue, local governments were rarely allotted sufficient revenue generating powers and became increasingly dependent upon regional allocations. Local governments in Russia had been delegated numerous responsibilities including: education, hospitals, roads, local police and public utilities. In 1992, local governments accounted for almost 100% of total expenditures on basic education, 85% on health, 80% of public utilities, and 60% on day care and housing.[62] With these new responsibilities, local governments did not have the power to collect revenue generating taxes, such as on local enterprises or foreign ventures. For example, municipal property was sold for relatively low prices in Ivanovo, Penza, Chelyabinsk, Yakutia and Karachay-Cherkessia.[63] Anatolii Chubais criticized the Moscow approach as 'criminal' for giving away city property 'for nothing,' depriving the city budget of needed funds.[64]

During the period 1991 to 1995, local governments found that their responsibilities

for service delivery increased while they were not able to generate revenue to meet their obligations. Regional authorities in the oblasts, krais and republics prevented privatization while their control over resources increased. The emerging budget autonomy of the regions did not lead to a corresponding increase of budget autonomy for local governments. While local governments have been given the power to administer certain issues, they were not allocated the necessary resources to meet these responsibilities.

Local governments emerged from the Soviet era in a weak condition to manage the roles and responsibilities they already possessed, let alone face the unanticipated challenges of new social responsibilities. The one source of independent revenue for local governments, similar to the federal and regional level, was off-budgetary funds. Similar to the federal and regional level, off-budgetary funds were not included in local budgets and were therefore beyond higher levels of government. Such funds have a finite limit. For instance, with respect to the privatization of public enterprises, the most profitable ones were claimed by the regions, and the less desirable remains passed on to local governments.[65]

Thus, intergovernmental relations between 1991 and 1995 were marked by a weakened centre and stronger regions. Regions gained relative authority, power and the capacity to govern, particularly in terms of financial resources. Local governments were left with increased responsibilities but without the capacity to meet them. And where local governments were once dependent on the centre for resources, they now looked to the increasingly powerful regions.

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[1] Arthur W. Macmahon, *Delegation and Autonomy* (New Delhi: The Indian Institute of Public Administration, 1961), 96.

[2] Ibid., 244.

[3] Peter Clancy, "Politics by Remote Control: Historical Perspective on Devolution in Canada's North," in Gurston Dacks ed., *Devolution and Constitutional Development in Canada's North* (Ottawa: Carleton Press, 1990), 13-42.

[4] B.C. Smith, *Decentralization: the territorial dimension of the state* (London: George Allen and Unwin, 1985), 3.

[5] B.C. Smith, *Decentralization: the territorial dimension of the state*, 84-90.

[6] Ibid., 18.

[7] Charles M. Wilson, *Essays on Local Government* (Oxford: Blackwell, 1948), 14.

[8] B.C. Smith, *Decentralization,* 3.

[9] B.C. Smith, *Decentralization*, 3.

[10] V.D. Lippman, *Local Government Areas 1834-1945* (Oxford: Blackwell, 1949), 1.

[11] Arthur Macmahon, *Delegation and Autonomy,* 28.

[12] Uri Ru'anan, "Pluralism and Democratization," in Ru'anan, ed., *Russian Pluralism – Now Irreversible?* (New York: St. Martin's Press, 1993), 1.

[13] Jonathan Fox, "Latin America's Emerging Local Politics," *Journal of Democracy*, Vol. 5, No. 2, 1994, 105.

[14] James F. Hicks and Basrlomiej Kaminski, "Local Government Reform," in Richard F. Starr ed., *Transition to Democracy in Poland* (New York: St. Martins Press, 1993), 79.

[15]John Young, "At the Bottom of the Heap," 4.

[16] B.C. Smith, *Decentralization*, 90.

[17] E.R. Black, *Divided Loyalties, Canadian Concepts of Federalism* (Montreal: McGill-Queens University Press, 1975), 21.

[18] Rousseau and Zariski, "National Power and Local Governance: Problems and Prospects," 32-33.

[19] Macmahon, *Delegation and Autonomy*, 21.

[20] Ibid., 21.

[21] B.C. Smith, *Decentralization*, 13. The level of decentralization between Ukraine (Unitary) and Russia (Federal) can be determined by using similar indicators as Smith outlines.

[22] Blair A. Ruble, "Local Policy Making: Lessons from Urban Planning in Yaroslavl," in Jeffrey W. Hahn ed., *Democratization in Russia, The Development of Legislative Institutions* (Armonk, NY: M.E. Sharpe, 1996), 197-213, 197.

[23] Daniel N. Nelson, "Dilemmas of Local Politics in Communist States," *The Journal of Politics*, Vol. 41, 1979, 31.

[24] Cameron Ross, *Local Government in the Soviet Union* (London: Croom Helm, 1987), 12.

[25] Jeffery W. Hahn, "The Development of Local Legislatures in Russia: The Case of Yaroslav," in Hahn ed., *Democratization in Russia,* 163.

[26]Cameron Ross, *Local Government in the Soviet Union*, 9.

[27]Jeffery W.Hahn, "The Development of Local Legislatures in Russia, The Case of Yaroslav," 164.

[28] Cameron Ross, *Local Government in the Soviet Union*, p. 11.

[29] Richard M. Bird et al., "Fiscal Decentralization: From Command to Market," 17.

[30] Joanna Regulska, "Self Governance or Central Control?" in Dick Howard's ed., *Constitutional Making in Eastern Europe*, 1993, 137.

[31] Since 1995, most regional governors have been elected.

[32] Since 1996, the majority of regions have now signed agreements with the federal government for detailed power sharing arrangements.

[33] Julia Wishnevsky, "Problems of Russian Regional Leadership, RFE/RL Research Report, Vol. 3 No. 19, 13 May 1994, 8.

[34] Ibid., 8.

[35] The abridged text of the Federal Treaty, by *Itar-Tass* 14 March 1992. Cited in, Vera Tolz, "Regionalism in Russia: The Case of Siberia," *RFE/RL Research Report*, Vol. 2, No. 9, 26 February 1993, 1.

[36] Gail W. Lapidus and Edward W. Walker, "Nationalism, Regionalism and Federalism," *The New Russia, Trouble Transformation*, in Gail. W. Lapidus ed., (Boulder: Westview Press, 1995), 93.

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[39] Robert Sharlet, "Russian Constitutional Crisis: Law and Politics under Yeltsin," *Post-Soviet Affairs, Vol.* 9, No. 4, Oct.-Dec. 1993, 331.

[40] Itar Tass, October 7 and 22, 1993. Cited in, Phillip G. Roeder, "Varieties of Post-Soviet Authoritarian Regimes," *Post-Soviet Affairs*, Vol. 10, 1994, 96.

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[42]John Young, "At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation," 25.

[43] Phillip Hanson," The Centre vs. the Periphery in Russian Economic Policy," *RFE/RL Research Report*, Vol. 3 No. 3, 29 April 1994, 28.

[44] James Hughes, "Yeltsin's Siberian Opposition," *RFE/RL Research Report,* Vol. 2 No. 50, 17 December 1993, 32.

[45] Vera Tolz, "Problems in Building Democratic Institutions in Russia,"*RFE/RL Research Report,* Vol. 3 No. 9, 16 March 1994, 4.

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[47] Ibid., 26.

[48] Christine I Wallich, "Intergovernmental Fiscal Relations: Setting the Stage," *Russia and the Challenge of Fiscal Federalism*, in Christine I. Wallich ed., (Washington: The World Bank, 1994), 33.

[49] Phillip Hanson, "The Centre versus the Periphery in Russian Economic Policy," 26.

[50] Nikolai Ivanov, "The Ulyanovsk Region: Own Way to Reform?" *Russian Business Monitor* (produced by the Eurokosmos Bank, Moscow), No. 6, 1993. Cited in Ibid., 27.

[51] James Hughes, "Yeltsin's Siberian Opposition," 28.

[52] See John Young, "At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation," and Daniel R. Kempton, "The Republic of Sakha Yakutia: The Evolution of Center Periphery Relations in the Russian Federation".

[53] Jeffrey W. Hahn, "Common Features of Post-Soviet Politics," *Local Power and Post-Soviet Politics*, 279.

[54] John Young, "At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation," 25.

[55] Joanna Regulska, "Self Governance or Central Control," 140.

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[58]*Rossiiskaya gazeta*, 12 October 1993. Cited in Vera Tolz," Thorny Road toward Federalism in Russia," 6.

[59]*Nezavisimaya gazeta,* 6 March 1994. Cited in Julia Wishnevsky, "Problems of Russian Regional Leadership,", *RFE/RL Research Report*, Vol.3, No. 19, 13 May 1994, 13.

[60]Ibid., 11.

[61] *Komsomolskaya pravda*, 29 March 1994. Cited in Ibid., 11.

[62] Christine I. Wallich, "Fiscal Decentralization: Intergovernmental Relations in Russia" Studies of Economies in Transformation Paper No. 6 (Washington DC: The World Bank, 1992), 39-40.

[63] *Rossiyskaya ekonomika*, 1993, p. 147. Cited in Darrel Slider, "Privatization in Russia's Regions," *Post-Soviet Affairs*, Vol. 10, No. 9, April-June 1994, 393. On Chelabinksk, see *Nezavisimaya gazeta,* 26 June 1993.

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[65] John F. Young, "Institutions, Elites, and Local Politics in Russia: The Case of Omsk," in Theodore H. Friedgut and Jeffrey W. Hahn eds., *Local Power and Post-Soviet Politics*, (Armonk NY: M.E. Sharpe, 1994) 138-161.

Chapter 2

INTERGOVERNMENTAL RELATIONS IN THE SAKHA REPUBLIC

Introduction

The purpose of this chapter is to examine both the changing federal-regional arrangement and the resultant intergovernmental relations within the Sakha Republic of the Russian Federation.[1] This chapter provides an introduction to the Sakha Republic with a brief history of intergovernmental relations, and the institutional changes that occurred from 1989 to 1995. The discussion includes an overview of the changing federal-republic responsibilities and powers in post-Soviet Russia, and the consequences of these changes to the balance of power and responsibilities between the republic and city governments. Did changes in the relative strength of the republic in relationship with the federal government in Moscow affect the relationship of the republic with the city administration of Yakutsk? Have the increased responsibilities and power, *de facto* and *de jure,* of the regional level, including the autonomy and capacity to govern, reshaped the relationship between the city administration of Yakutsk and the Sakha Government? The next chapter will provide a case study of two housing projects to illustrate the power and responsibility at the republic and city level, and compare the effectiveness of service delivery. The case studies of the city of Yakutsk and the Sakha Republic may be representative of other regions in the Russian Federation, and there are enough similarities to make this a worthy contribution to local government research.

Background

The Sakha Republic is located in the northeast of Siberia. The republic encompasses 3.1 million square kilometres; almost half the territory lies within the Arctic Circle. The climate is severely continental, and the republic, largely dominated by permafrost, experiences the coldest temperatures outside of Antarctica. Temperatures range from minus 60 degrees Celsius in the winter to 40 degrees Celsius in the summer. The main transportation route is the Lena River (4,400 km), which is navigable only during the summer.[2]

The Sakha Republic's population totals slightly more than one million. The titular population, the Sakha (Yakuts), comprise about 38 percent of the population. Russians possess a plurality, comprising approximately 46 percent of the republic's population, and Ukrainians an additional 6 percent. Located mainly in northern and southern Sakha, the 'small peoples of the North' (*malochislennye narody*) make up over two percent of the republic's population.[3] The Sakha Republic is divided into 35 districts (*ulus*) and two municipalities, including the capital city of Yakutsk.[4]

In terms of natural resources, Sakha is one of Russia's richest regions. Sakha is endowed with 98 percent of Russia's rough diamonds, 25 percent of gold output and 100 percent of its antimony.[5] Sakha is also a major producer of coal, natural gas, tin, timber, fish and other natural resources.

The capital city of the Sakha Republic is Yakutsk, a city of over 200,000, founded in 1632. The area was first settled by the Sakha people, who are thought to have migrated northwards from around Lake Baikal settling around the Lena River in the 13th and 14th century. As with the rest of Siberia, the territory was developed as a resource colony by Moscow and St.

Petersburg. On the order of Tsar Mikhail Fyodorovich, a fortress (*ostrog*) was founded on the Lena River in the sixteenth century to establish sovereignty over the surrounding lands and collect a tax (*yasak*). In 1638, the state established a self-administrating unit, the Yakut District. In place of the fortress, the town of Yakutsk developed into a strategic, administrative and commercial centre.[6]

For over two centuries, the town of Yakutsk served as the starting point for explorers who explored the strait between Asia and America, the Kamchatka Peninsula, and the Amur River. Yakutsk also served as a major mode of the North Siberia trade network. As a result of Yakutia's increased importance and trade, skilled carpenters and tradesmen came to the city. This spurred on the area's development, leading to a major influx of Russians to the territory. The extremely harsh climatic conditions and its remoteness also made Yakutia and its capital play the role of a "prison without bars." Representative of three generations, from Decembrists to Bolsheviks, were exiled to Yakutia as political convicts.[7]

Up until the early 1920s the status of Yakutia was that of a special region within the Irkutsk *Gubernia* (region). Because of Yakutia's regional remoteness, the specific nature of its economy and the difficult administrative management in the region, Yakutia became a separate gubernia after the Russian Revolution in 1920. In 1922, the Politburo of the Communist Party approved the decision to establish the Yakut Autonomous Republic. In the context of the Soviet Union, the word "autonomous" did not imply independence from the centre. Yakuts and the other "autonomous" republics within the Russian Federation were subject to dual subordination by the Russian Federation and the Soviet Union, since the Russian Federation was itself a constituent part of the Soviet Union.[8]

The period between 1927 and 1986 was demonstrably "super-centralist." All social, economic, national and cultural issues were planned and administered from the centre in accordance with central policy and ideological aims.[9] In addition, as a result of the Sovietization of the region, including an influx of people from Russian and other Slavic republics, the proportion of Sakha (Yakuts) in the overall population of the republic dropped from 90 percent in 1920, to 43 percent in 1970, to 36.3 percent in 1979 and finally to a low of 33.4 percent in 1989.[10]

There were at least two administrative consequences of Soviet rule to the regional and local government. First, both the regional and local government lacked the autonomy and the authority to govern, a continuation from Tsarist Russia. Moscow retained its control by the selection of administrators through local branches of the Communist Party, and central direction of the major industries.[11] Decision-making in Yakutia occurred within a highly centralized system, with little autonomy to administer local affairs. While the city of Yakutsk had a local soviet comprised of 221 deputies, these deputies were selected exclusively by the Party. The region's development relied on central administrative control and on imported civil servants. Second, regional and local government lacked the financial resources to govern. In Yakutia, as in the rest of Siberia, investment emphasis was on extractive industries and energy supplies, at the expense of developing a local manufacturing base, infrastructure and food supplies.[12] Further development of the territory of Yakutia in the 1960s was based upon Moscow's desire to exploit these natural resources. Mined resources and the revenue they generated were sent to Moscow exclusively for the purposes of the Soviet state. During this period, like the rest of Siberia, nearly all of Yakutia's revenues from precious metal mining were at the disposal of the centre.[13] The

traditional Soviet system of planning gave priority to vertically integrated branches of the economy run by central ministries. Regional and local decision-making was negligible.

As a consequence of the central policy pursued during the Soviet era, housing, roads and transportation remained underdeveloped. Infrastructure in the city of Yakutsk and the republic was subject to decision-makers in Moscow, as all revenue generated went first to Moscow. In 1989, for example, the Yakut diamonds brought the Soviet Union some US$1.7 billion; The government of Yakutia controlled only 4 percent of all the republic's industries and received only 1 percent of all their revenues.[14] Moreover, the republic was dependent on imports for 90 percent of its food stuffs and manufactured goods. By 1989, of 73 autonomous republics, krais and oblasts of the Russian Federation, Yakutia was 70th in terms of providing housing and last in the provision of public services and amenities.[15]

During the Soviet period, the republic and city of Yakutsk were deconcentrated units of central administration. The republic and municipal government possessed limited independent power, or authority and had minimal access to resources to administer their responsibilities. The region and the city were reliant on the federal government and ministries for service delivery and financing.

Federal-Regional Relations: The Sakha Republic - 1989 to 1995

The devolution of power to the Sakha Republic began under Mikhail Gorbachev and the reforms under *perestroika* and *glasnost*. The reforms initiated by Gorbachev resulted in the Russian Federation and its constituent units expanding their autonomy and power, a process which contributed to, and in turn was accelerated by, the collapse of the Soviet Union. In the

context of political battles fought in Moscow between the Union and the RSFSR, and then between President Yeltisn and the Russian parliament, the republic of Sakha was able to wrestle significant control over its own resource development and was allowed to pursue regional policies for economic development and administrative reform. The federal government also left the republic in charge of determining the structure of local government, which left the autonomy, responsibility and power of the city of Yakutsk at the discretion of the Sakha Republic.[16] In contrast to federal-regional relations, the city of Yakutsk had neither the legislative mandate nor the institutional capacity to wrestle power from the region.

Gorbachev sought to alleviate the economic and political crisis caused by over-centralization and the decline in industrial production. Gorbachev's reforms had two significant impacts on the makeup of the Russian Federation and its constituent units. First, all-Union and republic elections were held in 1989 and 1990, and were an integral part of the reform of political institutions. The elections produced startling results, including the election of Boris Yeltsin to the Supreme Soviet of the Russian Federation in 1990, which gave Yeltsin, and regional leaders within the Russian Federation, legitimate power to fight for control over the Russian economy from the Soviet government. Second, the economic reforms that were initiated by Gorbachev resulted in a sharp reduction in capital investment and the collapse of the central planning system, which had a negative impact on the Russian and the Siberian economy. Gorbachev's focus was on the modernization of the existing industrial sector in European regions of the Soviet Union.[17] Faced with economic collapse and an increased emphasis on self-financing, the Soviet economy could no longer afford to pay for the high-cost resource industries in Siberia.[18] The situation in Sakha was particularly acute as the prices of industrialised goods that Sakha imported were

liberalised while the prices for Sakha's raw materials remained state-controlled.[19] As a result, the situation in Sakha, as in many other regions in Siberia, was an economic crisis.

The major deterioration of economic and social conditions caused by Gorbachev's reforms led many leaders from Siberia, including Sakha, to seek greater autonomy and power for their regions. Sakha's desire for control over profits from diamond mining and production fuelled the republic's campaign for more rights. Sakha's diamonds also became one of the major issues in the dispute between Yeltsin and Gorbachev over control of the Russian Federation's natural resources.[20] In August of 1990, the Soviet government announced a five-year agreement with De Beers to market diamonds from Sakha. The Russian Parliament had already passed a Declaration on the State Sovereignty of the RSFSR and in response to the Soviet government's announcement, the Russian government passed the Basic Decree on the Economic Basis of Russian Sovereignty, which required the Russian government's approval for the export of strategic natural resources.[21] To further bolster his position, Yeltsin allowed and even endorsed Siberia's regions, including Sakha, to take "as much sovereignty as they could swallow" in order to gain their support in Russia's battle with Gorbachev.[22] By the end of 1990, nearly all the autonomous republics, oblasts and okrugs within the Russian Federation had made some form of declaration of sovereignty.[23] In addition, Yeltsin endorsed the Siberian Agreement, an accord agreed upon by representatives of all nineteen administrative units of eastern and western Siberia. This agreement allowed regional governments to seek and attain foreign investment and engage in foreign trade and joint ventures, and offered promises of federal funding for science and technology, and a guaranteed proportion of hard currency from resources for the republic budget.[24] By the end of 1990, Russia's regions had gained a significant power base in control over

their autonomy and resources.

The Sakha Republic's increased political autonomy allowed the republic to struggle for more power, and seek control over its resources and decision-making. The republic's struggle for autonomy and power had begun under Mikhail Nikolaev, the appointed Chairman of Yakutia's Supreme Soviet, who first raised the issue of Yakutia's special status at Russia's First Congress of People's Deputies in 1989. Nikolaev, of mixed Sakha (Yakut) and Russian descent, initially represented a strong nationalist force within the republic. He was elected to Yakutia's Supreme Soviet in 1990 at the time when regional Communist Party Committee proposals were duly approved by the regional Soviets and signed by the chairman. Under a RSFSR law backed by Yeltsin, which made combining the government and Party posts illegal, party secretaries had to choose one or the other. Nikolaev also refused to combine the duties of Chairman of the Supreme Soviet and local party secretary.[25]

Once Nikolaev had consolidated his power within the republic, he declared Sakha's subsurface resources the property of Sakha, and increased the struggle to gain more power from the Russian Federation. At the time, Nikolaev said he would refrain from using the term "autonomous." He then announced a republican Declaration of State Sovereignty, which underwent several readings in the republic Supreme Soviet.[26] On September 27, 1990, the *Declaration of Sovereignty of the Yakut Sakha Soviet Socialist Republic* was adopted.

Nikolaev used the freedom offered by Yeltsin to increase the republic's autonomy. In return he supported Yeltsin in his bid to gain control from Gorbachev and the USSR Supreme Soviet. First, Sakha's government stopped shipments of gold and diamonds to Moscow and supported Yeltsin in his popular bid for Russia's presidency. Later, President Nikolaev banned the

Communist Party in Yakutia, two days before President Yeltsin's historic decision to do the same following the failed coup in August of 1991. Nikolaev was subsequently elected the first President of the Yakut Sakha Soviet Socialist Republic on December 21, 1991.[27] With his election, and the eventual break-up of the Soviet Union, Nikolaev had consolidated his power not only within his republic but also with the new president of the Russian Federation. He gained the legitimate democratic power to pursue economic and political concessions from Moscow, including control over the ownership and production of its natural resources. Under Yeltsin who was preoccupied with the struggle between the presidency and parliament, Nikolaev was able to continue to expand his power base. The struggle in Moscow gave the regions an opportunity to win concessions from the centre and exercise greater regional initiative in economic policy. This is why Yeltsin began to solicit support form Nikolaev and the other regional leaders in his prolonged battle against the Supreme Soviet.

The most significant devolution of power to the Sakha Republic occurred through a series of agreements, most predominantly the Federal Treaty and the "Agreement on the Economic Relationship between the Government of the Russian Federation and the Sakha Republic (Yakutia)." Both were signed on March 31, 1992, and established in legal form the interdependency of the two governments and provided both sides with guarantees. The Federal Treaty increased the powers of Sakha (and the other republics) in terms of such issues as: control over the form of government; taxation at the regional and local level; foreign trade; foreign investment; and even shared jurisdiction over surface and sub-surface resource rights.[28] The Sakha government was now able to enter into foreign agreements and source investment with South Korea, Japan and the South African diamond company De Beers. A Ministry of Foreign

Relations of the Sakha Republic was established in 1992 in order to develop such international relations. The Sakha Republic has signed agreements with similar constituent units of other federations: the state of Alaska (USA), the Northwest Territories of Canada, the province of Liaoning (China) and Ticino (Switzerland).

While the Federal Treaty gave the Sakha Republic a legitimate and legal basis for its right to shared control over its resources and political independence, the signing of the bilateral economic agreement created a structure in which the Republic gained greater control over diamond and precious metal development and thus greater powers over its revenue and budget. The Agreement entitled Sakha to 11.5 % of refined precious metals (mostly gold) and 20% of jewellery diamonds (Article 7). Article 3 of the Agreement specifies that should Russia fail to deliver the agreed quantity of minerals, Sakha will be compensated for the amount of undelivered goods in currency or it will reduce the amount of gold supplies to Russia by the amount of undelivered goods.[29] In July of 1992, after months of negotiations, President Yeltsin announced the formation of a new diamond enterprise, called *Almazy Rossii-Sakha* (ARS) (Diamonds of Russia and Sakha). ARS became responsible for mining, sorting, grading, cutting and marketing all diamonds from Sakha. As a joint stock corporation, ARS assigned shares as follows: 32% to the Russian Federations, 32% to the government of Sakha, 23% to workers' groups, 5% to a retirement fund, and 1% to each of eight local governments. The profits were shared accordingly.[30] With the Federal Treaty and economic agreement, Sakha finally attained significant and legitimate political power and sufficient economic resources to govern.

With the devolution of power to the Sakha Republic, including significant economic and political autonomy, President Nikolaev consolidated his powers within his executive and

appointed his presidential cabinet consisting of sixteen ministries and a Vice President who also serves as Prime Minister of administrative organizations. With such autonomy, President Nikolaev could now pursue the political legitimacy, power and popularity to advance his own agenda. As long as the republic Supreme Soviet sided with him, there would be few constraints to regional autonomy. As Anatoly Khazanov points out, Nikolaev's consolidation of power was augmented by the fact that the Sakha (Yakut) republican political elite were already over-represented for two reasons. First, due to the Soviet nationality policy's provision, some members of ethnic groups were placed with privileged positions in the local party apparatus and administration. Second, many Russians in the republic, especially the most influential managerial-administrative personnel in the mining industry, associated with Moscow rather than Sakha, and lacked interest in the regional political process. The political passivity of the Russians in Sakha and the system of electoral districts, which favours the rural population, meant that 46.3 percent of deputies of the Supreme Soviet elected in 1990 were ethnic Sakha, while the Sakha people constituted only 35 percent of the population.[31]

Sakha's increased powers *vis a vis* the centre were illustrated in a number of ways. The first of these was the adoption of a new republic constitution on April 4, 1992. The Sakha Republic was one of the first republics of the Russian Federation to adopt a new constitution. The constitution's provisions were in violation of the Federal Treaty (1992) and the newly adopted Russian Constitution (1993). Article 1 of the Sakha constitution, for example, proclaimed the right of the people of Sakha to self-determination. And in contrast to the Federal Treaty, which puts land and natural resources under the joint jurisdiction of the centre and the republics, Article 5 of the Sakha Constitution placed these under the sole jurisdiction of the Republic of Sakha.[32]

While rumours circulated in Moscow that Sakha wanted to secede from Russia, the republican parliament had decreed that the Republic of Sakha was in favour of treaty relations with the Russian Federation. President Nikolaev asserted that his republic wanted only economic, not political, sovereignty, and he reiterated that the republic had every intention to remain in the Russian Federation.[33]

A second illustration of the republic's increased power was Nikolaev's carrot and stick approach to receive political concessions from Yeltsin. Nikolaev campaigned for Yeltsin in the April 1993 referendum. In order to maintain Nikolaev's support, Yeltsin, during a trip to Sakha, issued a presidential decree repealing the necessity of preliminary payments for shipping of goods from the centre, promised to deal personally with Sakha's shipment problems, and offered more rights and autonomy for the republic. President Yeltsin also sought Nikolaev's support for his draft federal Constitution.[34] When Yeltsin had finally made concessions in the draft Constitution which secured Sakha's previous gains from the Federal Treaty, Nikolaev backed Yeltsin, and the draft Constitution received more than 50 percent support in all of Sakha's *ulusy*.[35]

Perhaps the most significant show of support for Yeltsin was Nikolaev's backing of President Yeltsin's Decree 1400, October 12, 1993, to disband the Supreme Soviet. Yeltsin also invited regional and local soviets to dissolve. Sakha was the first region to disband its soviets, and Nikolaev scheduled elections to the new parliament on the same date as the Russian Federal elections.[36] Again, Nikolaev's support for Yeltsin did not come unrewarded. Yeltsin responded with a formal agreement in 1994 that allowed Sakha to keep all federal taxes raised in the republic. Ultimately, Nikolaev's support for President Yeltsin expanded Sakha's economic power and control over decision-making. .

The Sakha Republic's increased autonomy and control over resources and taxes proved that the centre no longer played a dominant role as it did in the Soviet era. Russia's decreased power was indicated in a number of ways. First, Russia decentralized numerous responsibilities, including enterprises of joint and local ownership that were specified in the *Agreement on the Delineation of State Ownership between the Russian Federation and the Sakha Republic (Yakutia)* signed on November 25, 1992. The Sakha Republic received from former Soviet ministries old technical equipment, temporary industries and unfinished development projects, including the unfinished railway connecting Tommot with Yakutsk, the Nerungri state electric power-station (fourth stage), and the Vilyuy hydro-electric power station (third stage). Russian assets in Sakha that remained in federal control included military installations and the property of the Interior and Security Ministries, the Statistics Committee and other organizations. Some assets, including the Lena Shipping Company and the Tiksi seaport, fell under the joint control of the Russian and Sakha Governments. During 1993, they were reorganized into joint-stock companies with plans for the Sakha government to take full control.[37]

Another example of the Russian Federation's decreased role in republic affairs was the lack of transfer payments to the republic. The costs of goods increased with the break-up of the Soviet Union, while there were increased shortages of supplies and goods in Sakha and the rest of Siberia. Government subsidies and incentives granted to northern workers in Soviet times disappeared, replaced by rising fuel prices that devastated northern economies built during the industrialization of the Stalin era. Vice Premier Vyacheslav Shturov of the Sakha Republic suggested that the introduction of the market economy was the biggest problem. The Soviet heritage of the subsidization of inefficient industries ended up leaving the Republic responsible for

maintaining numerous industries. Many of the republic's industries just couldn't compete. Shturov described the situation as the total collapse of the northern economy.[38]

From 1991 to 1993, the Federal government withheld the transfer of federal credits to the Sakha Republic and the municipality of Yakutsk. In July of 1993, the Sakha Republic intended to issue a state of emergency if it did not receive credits to pay for the necessary raw materials, industrial goods and food supplies before the rivers, the main supply routes, froze in September. Shturov stated on July 7, 1993, that the situation was extremely critical; only 12-36 percent of the necessary supplies had been brought into the republic and without a credit of 238 billion rubles in the third quarter, the government would have to mobilize all local financial resources, including those of commercial banks and enterprises, and sell diamonds on the international market. The Sakha government threatened Moscow that it would issue its own currency if the Sakha Government did not reach an agreement on comprehensive financing by the Russian government of state-owned enterprises on the territory of the Sakha Republic and of support in the social sphere.[39]

The Sakha Republic and the Russian Federation finally reached a compromise in August 1993 when the government of Sakha and Boris Yeltsin signed the *State Federal-Regional Investment Programme of Reconstruction of the Economy* and the *Programme of the Social and Economic Development of the Republic of Sakha Yakutia* (Presidential Directive of the Russian Federation, No. 1249 August 18, 1993).[40] The program promoted addressing demographic problems, job opportunities and improvements in the standard of living of the rural population. Projects included the development of capital projects in the city of Yakutsk and the rest of the Republic. Program administration was to be jointly funded by the governments of the Russian

Federation and the Sakha Republic. In 1993, the republic adopted 22 programs to stabilize the economic situation to encourage the development of market relations, to promote enterprise efficiency and the reconstruction of the national economy, and to resolve social problems. Alongside government funding, the execution of the programs provided for a wider attraction of means from other sources which included credit resources, establishment of voluntary targeted funds, participation in foreign capital projects, implementation of the projects on tender and compensation bases, and attraction of foreign currency assets from the Republican Currency Exchange Fund.[41]

Even after the agreement, however, the federal government still failed to transfer credits to Sakha. Sakha had already begun to withhold federal taxes in early 1993. The federal Ministry of Finance and the government of Sakha thus signed an agreement under which Sakha would retain all federal taxes raised on its territory in 1994. As a result, Sakha would have to fund both local and federal programs from its own budget. Sakha Finance Minister Vladimir Ptitsyn stated that the deal would also recognize *de jure* the republic's withholding of federal taxes since early 1993.[42] Such developments were clear indications that the power and influence of the federal government within the Sakha Republic were much less than under the Soviet regime.

During the period 1990 to 1995, the republic increased in power and autonomy: politically, economically and financially. While the Russian federal government reduced its transfer payments, Sakha had guaranteed revenue from its natural resources and the taxation agreement. Arguably, Sakha fared much better than most other regions in Russia in terms of the devolution of power. Within the republic, the Sakha Government took Moscow's place as the new centre of power. As a result of Sakha's control over service delivery and financial resources

within the region, policies and decision-making now emanated from the Republic government.

Local Government in the Sakha Republic: The City of Yakutsk

One of the most profound ramifications of Russian-Sakha relations was the increased role the republic gained in the control over local administration, particularly the city administration of Yakutsk. While the Sakha Republic gained considerable power and authority from the Russian Federation, a parallel dynamic was not apparent at the local level. In fact, the situation in the city of Yakutsk mirrored the fate of local governments throughout Russia; the amount of resources at the local level became increasingly dependent upon personal contacts to the republican president or oblast governor and was affected by diminishing federal and republic/oblast transfers. The role of local government in terms of responsibilities and revenue was confounded by a second factor; the city of Yakutsk was subject to the uncertainty of its own power and authority as a result of the fluid relationship between the republic and the Russian Federation. While power and responsibility devolved the Russian federal government to the Sakha government through formal agreements and informal actions, such agreements and actions did not address the regional-local division of power. The city of Yakutsk's autonomy and capacity to govern was left to the discretion of the republic. The republic's relationship with the city of Yakutsk between 1990 and 1995 can be illustrated using the following tenets of decentralization: local authority, local responsibility and budget relations. These three indicators are used to examine the delegation or deconcentration of power to local government in Yakutsk.

Local Authority

The reforms to local government in Yakutsk reflected general tendencies throughout

Russia and were a result of the 1991 law *On Local Self-Government in the RSFSR*. Although dated by the events of late 1991, the law required changes to local government. The positive side of the reform, was that the law, at least in theory, increased attention to the concept of local self-government. The law established clearer lines of jurisdiction and responsibility, including an elected mayor, and a separation of the executive and legislative branch.[43] The down-side of the reform was that it was never fully instituted in practice, as Yeltsin later delayed elections to local governments, and decreed the appointment of mayors instead. At the Fifth Congress of People's Deputies of the Russian Federation in October 1991, Yeltsin placed a moratorium on these elections, and heads of local administrations were nominated by the head of the next higher level of administration.[44] Local leaders in the Sakha Republic, including the mayor of Yakutsk, were appointed by President Nikolaev. As a result, local government reflected the deconcentration of republic administration rather than an autonomous level of self-government.

According to Sakha's constitution, President Nikolaev had the power and discretion to appoint local government officials. By his presidential *Decree on the Appointment of Heads of Subordinate Administrations in the Sakha Republic (Yakutia)*, of January 21, 1992, Nikolaev appointed the mayors of the 35 *ulusy* and 2 municipalities of the Sakha Republic. In Yakutsk, P.P. Borodin, former chairman of the city soviet, was appointed mayor.[45] In a session on January 21, 1992, the city council chose the structure of the local administration. The new city council executive consisted of a mayor, two vice mayors with the rights of first deputies, and five deputy chairmen. The former deputy chairman of the city council was elected in the session as the chairman of the city council. Borodin stated before the council that he would work closely with the deputies from then on. Borodin stressed that the existing social, political and economic

situation called for changes. New departments were needed to accommodate the responsibilities for public education, health, trade, finance, and for the departments of registries and distribution of housing. In addition, it was necessary to reorganize and restructure some departments since there were more people employed in the city administration's departments than in corresponding Republican Ministries. Restructuring was also needed as a result of the revised field of activities for which the city government was now responsible. For instance, trade and other responsibilities had been transferred to the city budget from the republic, adding a strain to the city budget.[46] The city of Yakutsk remained responsible for schools and universities as well as teachers' and professors' salaries, heating and water for the huge, inefficient Soviet style apartments, road and sewage maintenance, and hospitals and health care. The city administration was not, however, allocated the financial resources to manage these responsibilities.

One of the major problems in realizing local government in the Sakha Republic, as with the rest of Russia, was that the law on local self-government was too vague. Yeltsin left the form and function of local government to the discretion of the republic presidents or appointed or elected governors in the oblasts and krais. Local elections were originally postponed until December 1, 1992, and were later postponed again until March of 1995. In addition, the Congress stated that new heads of administration were to be elected only if the local soviets demanded it. This stipulation, however, was overridden by the president's administration with regards to Moscow's city soviet bid to elect a new mayor, and Yuri Luzhkov was appointed by Yeltsin's decree.[47] It was not until the aftermath of Yeltsin's Decree No. 1400 on September 21, 1993, that the path was officially paved for the election of local governments and regional legislatures. Yeltsin first ordered the dissolution of soviets throughout Russia at the lowest levels of the

administrative structure (raion/ulus soviets within sub"ekty, town soviets within raions, and the settlement and village soviets). On October 22, 1993, Yeltsin signed a major decree on the reform of local government ordering that elections to new streamlined local governments be held in krais, oblasts, and lower territorial subdivisions between December 1993 and March 1994; republics were recommended (but not ordered) to follow suit.[48]

In the Sakha Republic, the Supreme Soviet dissolved itself on October 12, 1993, and set December 12, 1993, as the date for elections to a new bicameral legislature, the *Il Tyumen*, of which the upper chamber (House of Senate) would have 35 members and the lower chamber (House of Representatives) 21 members. Victor Nikolaev, a deputy of the House of Representatives, described the relationship between the Il Tyumen and the president of the Sakha Republic and his cabinet as an ongoing process.[49] It would take time for the Il Tyumen to work into its institutional role.

Victor Nikolaev expressed the importance of the legislative function of the Il Tyumen, since all laws are adopted by the House of Representatives. The reform to local government, in accordance with President Yeltsin's decree on the reform of local government, came with an amendment to the Sakha Consitution. In 1994, the Sakha Constitution was amended by three profound constitutional laws, including a law on the *Local Bodies of the State Power and Self-Government in the Republic of Sakha (Yakutia)* which set the foundation for local government. The constitution set out in detail the provisions for local government and its guarantees. Article 90 states the bodies of local power own and dispose of public property in the interest of the population, guide socio-cultural and housing construction, development of public health services and public education, leisure industry, consumer services and public facilities. Article 90 also

provides that the bodies of local power establish economic and tax relations with bodies of state management, territories, enterprises, organizations, establishments and citizens. Article 94 lays out the financial certainty of bodies of self-government which may be allotted by law the individual state authority for implementation of material and financial resources necessary to administer services.[50]

It is interesting to note that Victor Nikolaev highlighted that the President of the Republic and his administration were not overly positive to the enshrinement of local government in the constitution or to future local elections. The President's administration saw local government as an extra layer of government bureaucracy.[51] While the Sakha Republic Constitution spoke glowingly of the power of local governments, many of the details, including the local elections, had yet to be worked out. In addition, the city administration of Yakutsk continued to lack the effective power, namely financial resources, to govern.

The situation in the city of Yakutsk was characteristic of municipal governments across Russia, in which the city lacked the necessary autonomy, authority and capacity to govern.[52] On March 24, 1995, this situation was altered as the Sakha Republic held local democratic elections in the city of Yakutsk and throughout the local administrations in Sakha's 35 *ulusy* (districts). Local administrations were elected in roughly 60 percent of the districts (while the remainder had to have run-off elections). Seventy percent of voters took part in the elections of the heads of administration and local government bodies. The turn-out to the local elections was six to seven percent higher than both the Federal and Republican level elections previously held in Sakha.[53]

The capital of Yakutsk was included in the 40% of districts without an elected administration and remained without a mayor after the first round of the election (as a candidate

had to secure 50 percent plus one to secure a victory). In the first round of local elections in the city of Yakutsk, seven candidates ran for mayor. Spartak Borisov and S. Nazarov collected the most votes and went on to the run off vote.[54] It is interesting to note that S. Nazarov was nominated by President Nikolaev and is of Sakha (Yakut) decent, while Borisov was of Russian decent. The local election in Yakutsk took on a nationalistic flavour with the Russians siding with Borisov and the Sakha (Yakut) siding with Nazarov. On April 9, 1995, the second round of elections was held in the city of Yakutsk and Spartak Borisov, with 29,574 votes, defeated Nazarov's 25, 118 votes. The press called the 4,000 margin a very convincing victory.[55] Fifteen city councillors were also elected to the city administration of Yakutsk.

The local elections as a whole can be considered quite a success. Most significantly it was the first time in its history that the city of Yakutsk elected a mayor and city council directly. The city administration of Yakutsk had a legitimate source of power independent of the President. President Nikolaev also nominated candidates in the other 35 districts for the election. Notably, forty percent of the candidates nominated by the President lost in the elections.[56] The very idea that candidates won on their own accord and beat the candidates supported by the President revealed the political independence and legitimacy of holding these elections.

In the city of Yakutsk there was some controversy over the Russian majority electing Borisov, which caused resentment among Sakha voters. Another typically negative comment about Borisov was that he was a former communist. However this criticism is a typical post-Soviet way to discredit one's political opponent, since most experienced candidates had some former tie to the communist party.

Spartak Borisov's victory gave him legitimate political authority and he began to

reorganize the local government structure with the fifteen newly elected deputies. Borisov's administration included an assistant mayor, a book-keeper, a manager with ties to voluntary organizations, a manager of municipal lodging, the committee for state of emergency and the committee for envisaging future development and new technology. Eight Deputy Mayors were also chosen for the following positions: of Construction, Transportation and Communication; of Territory, Industry and Services; of Legislation; of Finance and Economy; of the Municipal Economy; of Public Health, Education and Culture; of Social Problems; and of Real-estate. An Office Work Manager was also appointed. Each Deputy Mayor's responsibilities consisted of various portfolios and departments.[57] The fifteen city councillors selected Alexander Kim as the newly elected Chair of the City Council, a very strategic choice. Kim was a lawyer by training and had previously worked as an assistant to the chairman of the Sakha government and served in President Nikolaev's administration.

Alexander Kim described the new responsibilities of local government as difficult. He did not feel that the current number of 15 city deputies was sufficient to meet the amount of work required. Kim considered 40 city deputies as a more appropriate number to handle the day-to-day activities of the city administration. Each of the deputies served on two of the eight city commissions. Kim, however, was proud that each of the 15 deputies had a constituent office in her/his ward. Kim felt that the ward office would afford citizens the chance to participate more readily in local decision-making.[58]

With the new structure in place, the Mayor and City Council sought to rectify the lack of municipal power and resources in its relationship with the republic. The specific task of the city administration was drafting a city charter. There were also important questions regarding

legislation, the courts, currency, and income and local taxes that were still left unanswered. Another specific directive according to Kim was to have members of the Il Tyumen elected from the city of Yakutsk to push for more power for the city. Kim felt that these members were not fighting hard enough for the city's interests in the Il Tyumen.[59] Again, even with the newly elected Mayor and City counsellors, the biggest problem remaining was the city budget deficit, which did not give the City the capacity to govern.

The Local Budget

During the period 1991 to 1995, the lack of sufficient budget resources was a major problem for local government across Russia, including the ability to set and keep taxation at the local level, in order to administer its responsibilities. In the city of Yakutsk, the budgeting for the spending portion of the budget began in August each year, and the amount of compensation for taxpayers and tax revenue was all subject to the laws of the Russian Federation and Sakha Republic.[60] The important enterprises that produce luxury items such as alcohol, leather products and jewellery, and other value-added products, are exempt from paying taxes, according to the republic laws.[61] In addition, all taxes collected in Yakutsk were then transferred to the general revenue of the republic and federal level. Elyna Lykhina, Chairman of the Finance Commitee of the Yakutsk Mayor's office, pointed out that the spending portion of the budget was always bigger than the revenue portion, a situation familiar to most municipal jurisdictions.[62] Accordingly, projected estimates for 1995 indicated that expenditures would be two times more than revenue.

Since 1992, the question of leaving all taxes collected in the city of Yakutsk at the disposal of the city budget was left to the Federal Ministry of Finance and to the Government of

Sakha. In 1994, most taxes ended up going to the republic level, including 60 percent of land tax and, 100 percent of utilities tax and the tax exceeding the Salary Fund, although according to Russian Federal law, these revenues were supposed to be local. Although these taxes were paid by city taxpayers, they were given to the republican budget.[63] If taxes would go to the city budget, the municipal administration could more readily administer its affairs. Even this source of revenue, however, would not be enough for the city's development. The city had to look for other sources of revenue, including substantial financial investments. The city of Yakutsk asked for additional money from the amounts that the republic gets as payment for the use of its natural resources, in particular for gold and diamonds. Despite the President's decree that a portion of resource revenue would go to the capital city of Yakutsk, the Minister of Finance did not provide any funds. Municipal reliance on transfer payments increased over the period 1994 to 1996, as suggested in Table 1 (Local Revenues as a Percentage of Local Budget):

Table 1: Local Revenues as % of Local Budget

Year	Local Revenues as % of Local Budget	Transfers as % of total budget
1994	95.0	5.0
1995	54.6	45.4
1996	40.8	59.2

Source: data supplied by the Finance Department, Yakutsk municipal administration, 1996.

On the question whether Yakutsk had a program to support itself, Lykhina indicated that the city collected additional local taxes and fees such as licence fees for commercial enterprises and stores, taxes on advertising and dog licences. She also pointed to institutes becoming more self-sufficient, including generating their own revenue by way of paid medical services and paid

educational programs.[64] However, it was unclear whether the population would be able to afford such services.

The city administration's lack of resources resulted in the inability to pay for many of the services for which it was responsible. Accordingly, the city administration would have to tighten its belt and forget about financing of capital projects. It decided instead to focus on financing the social spheres: schools, medical institutes, housing and public utilities, and transportation. Another area of concern was to pay salaries on time. In 1994, Yakutsk was actually the most prompt local administration in the republic in this sphere, with normal delays of two to three weeks for those people paid by the city budget.[65]

Local Responsibility

The lack of revenue was also confounded by the massive responsibility shouldered by the city of Yakutsk. In an interview in *Respublika Sakha* in 1994, then appointed Mayor A. Tomtosov indicated the problems the city of Yakutsk faced. Tomtosov explained that citizens of Yakutsk and the City Administration faced difficulties similar to those of the rest of Russia with the social tension caused by the poor economic situation. One specific problem Tomtosov pointed to was the difficulties in transporting commodities because of the harsh winters. Tomtosov indicated that Yakutsk was also a very young city, with a population of over 200,000, some 70,000 of which were under 18 years of age. Among this latter group, half were school children and 14,000 were in pre-school. There were 6,000 post-secondary students, 4,000 of whom were in vocational schools. The City of Yakutsk remains responsible for the maintenance and support of this large social sphere. The City employees over 4,500 teachers, 3,200 medical workers and 300 workers in cultural institutions. Tomtosov indicated that the city administration

could support the whole social structure if all the taxes collected in the city of Yakutsk stayed in the city budget.[66] And as the industrial potential of the city increased, new financial pressures were placed on the city administration. The restructuring of privatized enterprises and the transfer of financial responsibility to the city of Yakutsk for those enterprises that were not economically viable meant that demands on the municipal budget continued to increase while revenues were stagnant or in decline. While financial pressures and responsibilities grew for the city administration of Yakutsk, most tax revenue went to the republic.

Another major problem for municipal financing was that the republic taxation policy was not very positive in terms of the city revenue. The new industries capable of paying taxes, namely, commercial banks such as "SakhaCreditBank" and financial institutions were freed from doing so. As a result of this policy, which seemed to be based on personal ties between the new bankers and the republic administration, the city budget was deprived of over 20 billion rubles. In total, non-payment of and non-financing from the Republican to the municipal budget in 1994 was nearly 54 billion rubles.[67] The Yakutsk Mayor pointed to the lack of budget revenue as the cause of the city administration's inability to cover the most basic needs of the city.[68]

Tomtosov acknowledged that the Sakha government must take care of the new enterprises and rural areas. He maintained, however, that this could not take place at the expense of the capital city. Despite all the disadvantages the city faced, including financial bankruptcy, the municipal industries and services doubled between 1993 and 1994. This happened as the result of literally dumping enterprise housing (housing that enterprises had supported from their own budget during the Soviet era) and utility networks on the shoulders of the Mayor's office. Such housing transferred to the municipal administration en masse was more of a liability than an asset.

In most cases these housing and public utility networks were in poor condition; it was estimated that 17 billion rubles were needed just for the maintenance and repair of these networks. This new responsibility was transferred from the enterprises and ministries to the city administration to free the enterprises from maintaining the social sphere. For three to five months the Mayor's office waited for the promised one billion rubles from the Sakha Republic Ministry of Finance to subsidise the maintenance of the housing and utility networks transferred to the spheres of responsibility of the Mayor's Office.[69] Tomtosov concluded that being in such a position, the city was not in power to do everything as required, which works against the citizens of Yakutsk.

The lack of budget revenues had a profound effect on the city's authority to meet its responsibilities. With the election of Borisov, the city gained legitimate political authority but the republic countered this authority with the control of fiscal resources.

Conclusion

The analysis of intergovernmental relations between Moscow and Yakutsk and within the Sakha Republic offers two main conclusions. First, the devolution of power *de facto* and *de jure* to the Sakha Republic increased the republic's power vis a vis the centre. The republic gained significant power in terms of decision making over political and economic affairs within the republic and in establishing relations with other regions and countries. More importantly, the republic gained the necessary resources, namely control over natural resource revenue and budgetary measures, including tax revenue, to provide for its role and responsibilities.

The republic's increased role and the centre's subsequent weakened status had a profound affect on intergovernmental relations. In particular, the Sakha Republic gained the right to retain

all republic taxes raised at the republic level and fund federal programs in the republic, which created on the one hand, a great deal of autonomy for the region. On the other hand, this situation created an enormous amount of power for the republic level with little insurance that the federal programs would be actually implemented or the local level would receive financing. In addition, this situation seriously weakened the Russian Federation's ability to provide safeguards for the local level, and did little to provide for a coherent fiscal federal system. Overall, the situation in Sakha was similar to the rest of Russia, in that power was transferred *ad hoc* through presidential decrees or agreements, with little adherence to the institutional structure as defined by the constitution. In addition, as in the Russian Federation, power in the republic was concentrated in the hands of the president and his administration. The president was able to issue decrees and act without many restrictions.

Second, the increased role of the republic had a major impact on the local level. Whereas the republic gained power and authority through formal and informal measures, there was no parallel development at the local level. In fact, the Sakha Republic and other regions' presidents and governors acted by decree as did Yeltsin, with legislatures too weak to prevent this. The city of Yakutsk, much like local governments across Russia, was left with no effective power, such as autonomous financial resources, to manage the services down-loaded to it. The city administration saw increased responsibilities without the necessary resources to handle them. And while the elections increased the city of Yakutsk's political autonomy, the uncertainty between the Russian Federation and the Sakha Republic still left the city in a precarious situation to meet its budgetary and social responsibilities.

There are several explanations for this situation. First, there was not much coherent

direction by the centre to provide for the institutionalization of local government. In particular, the law on local government was vague and ill defined, and much of the form and function of local government was left to the discretion of the republic or region. Second, the agreements signed by the republic and federal levels left no guarantees to the funding of the local level. As a result, although the city of Yakutsk possessed legitimate political authority with the election in 1995, the city still did not have the effective power, namely financial resources to govern. The local level was still dependent upon the regional and federal level to secure financing.

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[1]The Sakha Republic was formally known as the Yakutsk Autonomous Soviet Socialist Republic (ASSR) of Yakutia. On 27 September 1990 the Yakut ASSR declared itself sovereign and changed its name to the Yakut-Sakha Soviet Socialist Republic; later, it became the Republic of Sakha (Yakutia). For the purposes of this thesis, the Sakha Republic will be used to describe the republic in post-Soviet Russia. The use of the term "local level" of government refers to the municipal government of Yakutsk.

[2] Respublika Sakha (Yakutia), Special Issue of *Deloviye Lyudi*, November 1994, 5.

[3] Tatiana Argounova, "Republic of Sakha (Yakutia)," http://hompages.strath.ac.uk/ifv95266 /sakhainfo2.html. Population estimates were compiled in 1996. The "small peoples of the north" consist of Evenk, Even, Yukagir and Chukchi. The remaining population of the Sakha Republic consists of Tatar, Belorussian and other.

[4] *Republic of Sakha: Yakutian Business Guide* (Yakutsk: The Ministry of Foreign Relations of the Republic of Sakha, 1995), 13.

[5] Respublika Sakha (Yakutia), Special Issue of *Deloviye Lyudi*, November 1994, 9.

[6] Vyacheslava Stepanova, *Yakutsk Dokuuskae 1632-1992* (Moskva: TEF Taga-Centre, FEF "Antekva", 1993), 2.

[7] Ibid., 2.

8 Y. Alferova, *Federativnye otnosheniya i regional'noye upravlenie v Rossii: puti formirovaniya. Nauchno-analiticheski obzor* (Federative Relations and Regional Management in Russia: Ways of Reforms. Analytical Review), Moscow: Institute for Social Sciences Scientific Information, Russian Academy of Science, 1994, p. 7. Cited in Tatiana Argounova, *Federal Relations between Yakutsk and Moscow*, M.Phil. Thesis (Cambridge: Scott Polar Research Institute, University of Cambridge, June 1995).

[9] Ibid., 7.

[10] Anatoly M. Khazanov, *After the USSR* (Madison: University of Wisconsin Press, 1995), 177.

[11] T. Armstrong, G. Rogers and G. Rowley, *The Circumpolar North* (London: Nethuen and Co. Ltd., 1978), 55.

[12] Richard Sakwa, *Russian Politics and Society* (New York: Routledge, 1993), 192.

[13] Ibid., 192.

[14] Anatoly M. Khazanov, *After the USSR*, 177.

[15] Ibid., 177.

[16] Sakha's control over local government was a point of legal dispute. The Russian Federation's constitution places local government under joint jurisdiction of federal and regional governments. Sakha and a few other republics claim local government as a regional matter, which is in violation of the Russian constitution.

[17] Michael J. Bradshaw, "Siberia Poses a Challenge to Russian Federalism," *RFE/RL Research Report*, Vol.1, No. 41, 16 October 1992, 12.

[18] See Theodore Shabad, "The Gorbachev Economic Policy: Is the USSR Turning Away from Siberian Development?" in Alan Wood and R. Anthony French eds., *The Development of Siberia: People and Resources* (London: Macmillian, 1989), 256-60.

[19] Michael J. Bradshaw, "Siberia Poses a Challenge to Russian Federalism," 12.

[20] Ibid., 12.

[21] Vera Tolz, "Regionalism in Russia: The Case of Siberia," *RFE/RL Research Report*, Vol. 2, No. 9, 26 February 1993, 3.

[22] *New York Times*, 2 September 1990. Cited in Gail W. Lapidus & Edward W. Walker, 'Nationalism, Regionalism and Federalism: Centre Periphery Relations in Post-Soviet Russia," in Gail W. Lapidus (ed), *The New Russia: Troubled Transformation* (Boulder: Westview Press, 1995), 83.

[23] See Anne Sheehy, "Fact Sheet on Declarations of Sovereignty," *Report on the USSR*, No. 45, 1990. Cited in Michael J. Bradshaw, "Siberia Posses A Challenge," 12.

[24] Vera Tolz, "Regionalism in Russia: The Case of Siberia," 4. Many of the expectations of the Siberian Agreement were not met by the centre and the association of Siberian regions did not persist as a strong political force.

[25] *Respublika Sakha (Yakutia), Special Issue of Deloviye Lyudi*, November 1994, 11.

[26] *Respublika Sakha (Yakutia), Special Issue of Deloviye Lyudi*, November 1994, 5.

[27] *Yakutia Gazeta*, 22 December 1991. President Nikolaev received 76.7 percent of the popular vote, while E.D. Cherova received 7.3 percent from the 385,000 people that voted.

[28] See the abridged text of the Federal Treaty. Cited in *ITAR-TASS*, 14 March 1992.

[29] *The Agreement on the Economic Relationship between the Government of the Russian Federation and the Sakha Republic (Yakutia)*, 31 March 1992. Cited in Tatiana Argounova, "Federal Relations between Yakutsk and

Moscow," 55.

[30] Daniel R Kempton, "The Republic of Sakha (Yakutia): The Evolution of Centre Periphery Relations in the Russian Federation," *Europe-Asia Studies*, Vol. 48, No. 9, 1996, 592.

[31] Anatoly Khazanov, *After the USSR*, 179.

[32] *Constitution of the Republic of Sakha (Yakutia)*, 1994.

[33] See *ITAR-TASS*, 13 August 1992. Cited in Vera Tolz, "Regionalism in Russia," 8.

[34] See *ITAR-TASS*, 20 June 1993. Cited in *RFE/RL-Daily Reports*, 21 June 1993.

[35] Daniel R. Kempton, "The Republic of Sakha (Yakutia)," 596.

[36] Elizabeth Teague, "North-South Divide: Yeltsin and Russia's Provincial Leaders," *RFE/RL Research Report*, 26 November 1993, 23. The elections to the Sakha *Il Tyumen* (Parliament) took place December 12, 1993 in *ulus* (districts), with 35 deputies being elected to the House of the Republic and 21 deputies elected to the House of Representatives.

[37] *Respublika Sakha (Yakutia): Special Issue of* Deloviye Lyudi, November 1994, 9.

[38] Mike Trickey, *Prince George Citizen (Southham News)*, 31 March 1995.

[39] Ann Sheehy, *RFE/RL Daily Reports*, 8 July 1993.

[40] For the text see *Respublika Sakha*, 19 August 1993.

[41] *Republic of Sakha, Yakutian Business Guide*, 44.

[42] *ITAR-TASS*, 7 July 1993. Cited in: Ann Sheehy, *RFE/RL Daily Reports,* 7 July 1993.

[43] See Aleksandr Postnikov, "Legislation on Local Government in Russia," *Democratization in Russia*, p. 276. For the text of the law, see *Vedomosti Sezda Narodnykh Deputatov RSFSR i Verkhovnogo Soveta RSFSR* (Gazette of the Congress of People's Deputies and the Supreme Soviet of the RSFSR), No. 45, 1991, 491.

[44] Julia Wishnevsky, "Problems of Russian Regional Leadership," RFE/RL Research Report, Vol. 3, No. 19, 13 May 1994, 8.

[45] *Yakutia Gazeta,* 23 January 1992.

[46] Ibid., 2.

[47] See Wendy Slater, "Moscow City Politics Reflect National Issues," *RFE/RL Research Report*, No. 10, 5 March 1993.

[48] *ITAR TASS*, 25 October 1993. Cited in Elizabeth Teague, "North-South Divide: Yeltsin and Russia's Provincial Leaders," 11.

[49] Author's interview with Victor Nikolaev - Deputy of the House of Representatives (Il Tyumen, Sakha

Republic), 6 June 1995.

[50] *Constitution of the Republic of Sakha (Yakutia), 1994.*

[51] Author's interview with Victor Nikolaev, 6 June 1995.

[52] See John Young, "At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation," in Peter J. Stavakis, Joan DeBardeleben and Larry Blacks eds., Beyond the Monolith: The Emergence of Regionalism in Post Soviet Russia (Baltimore: John Hopkins Press, 1997.

[53] *Respublika Sakha*, 29 March 1995.

[54] *Respublika Sakha*, 10 April 1995.

[55] *Respublika Sakha*, 10 April 1995.

[56] Author's Interview with Victor Nikolaev, 5 June 1995.

[57] Information from the City Administration of Yakutsk, 1995.

[58] Author's Interview with Alexander Kim, Chair of the City Council of Yakutsk, 1 August 1995.

[59] Ibid.

[60] *Respublika Sakha*, 23 September 1994, 2.

[61] *Republic of Sakha: Yakutian Business Guide*, 58.

[62] *Respublika Sakha*, 23 September 1994, 2.

[63] Ibid., 2.

[64] Ibid., 2.

[65] Ibid., 2.

[66] *Respublika Sakha*, 21 September 1994, 1.

[67] Ibid., 1.

[68] Ibid., 1.

[69] Ibid., 1.

Chapter 3

A TALE OF TWO CITIES

Introduction

This chapter further investigates intergovernmental relations in the Sakha Republic in terms of regional and local decision-making by providing case studies of two housing projects. The first project was administered and funded by the Sakha Republic, while the second was administered by the city of Yakutsk and funded by the Russian Federation. These studies illustrate two important points. First, the studies demonstrate the roles of the republic and city in terms of financial resources and control of decision-making. The republic level has gained significant power and resources and has become a major player in providing services in addition to the control over the financing of local governments. Second, the case studies reveal not only the increased responsibility and services delegated to the local level, but also the important and effective role that local government can play in the provision of services.

This chapter begins with an overview of housing in general in the Soviet Union and Russia. It proceeds with an examination of the increased role of the Sakha Republic in terms of the distribution of resources throughout the republic including housing since 1991. Included in the discussion are the roles and responsibilities of the city of Yakutsk, and the issue of which level should be responsible for the provision of such services as housing. The two case housing projects this thesis investigates includes; first, the Canadian Model Village (*Kanadskaia Derevnia*) administered and funded by the republic; and second, *Borisovka*, a housing project administered and developed by the newly elected mayor of Yakutsk and

financed by the Russian Government.[1] By examining the two levels of government in terms of the administration and financing of housing, one may gauge the success of each level at policy delivery.

Housing in post-Soviet Russia: the Soviet Legacy

The distribution of housing and the provision of utility networks is probably one of the most important tasks facing post-Soviet Russia. Because the housing system has been heavily centralized, local governments have had great difficulties in managing urban affairs with little support from the regional and central administration. Local governments have emerged from the Soviet era in a weak condition to manage their day-to-day activities, in addition to an unanticipated load of new social responsibilities. Because Russia is highly urbanized and not an underdeveloped economy undergoing urbanization, the transfer of responsibility to local governments for the provision of housing (including the maintenance of the housing stock, and subsidization of utility networks) and for overseeing its privatization implies the transfer of real estate assets to new owners on an extraordinarily massive scale. A flexible housing system responsive to local conditions will need effective local governments.[2]

As was the case throughout the Soviet Union under central planning, housing was not considered as a major economic sector, but as a social obligation to be met by administrative organizations, state enterprises or municipal governments. As a result of the centralized distribution of resources, practically all regions used standardized multi-floor building construction plans. In addition, housing was constructed by a small number of large *kombinats* (state-run enterprises), which left a legacy of an inefficient housing system,

of competitive procurement procedures, and reduce tenant rights by permitting eviction to low-quality housing for non-payment of rent.[5] By April 1993, 5.3 million apartments had been privatized, which was 16 percent of those subject to privatization.[6]

While local governments were taxed with the responsibility to oversee the privatization process, they were also delegated full responsibility for maintaining the housing stock and the communal and utility network, with little revenue to handle this massive obligation. Part of the problem was that maintenance fees had remained unchanged since 1928 and tenant payments made a wholly insignificant contribution to the costs of providing services. For instance in March 1992, the average tenant devoted about 2 percent of her/his income to rents (maintenance fees and communal services); for the poorest 25 percent of the population, these expenditures still accounted for only 4.2 percent of income. During 1993, tenants' payment efforts fell even further.[7] At the same time, as federal support for the maintenance of the housing stock dropped significantly, local governments were left with the daunting task of filling this fiscal void. While cost recovery from the consumers in the housing sector is fiscally desirable, cities only collected between 4 and 16% of the total costs (despite the fact cities had the legal right to have cost recovery of 20%). By early 1996, with the legal right to have 60% of cost recovery, the general level of cost recovery amounted to between 20 and 30%, although some cities achieved 40% by the end of 1995.[8] Oblast and republic governments continue to fund directly such housing expenditures in areas outside the municipalities.

In addition to the responsibility for privatization and the maintenance of the housing stock and utility network, it is estimated that between 1991 and 1994 20-25% of the initial enterprise housing stock was divested to municipalities in Russia.[9] To meet this obligation,

since 1993, cities have gained access to two new instruments to aid in the financing of social assets. One is the local tax for support of social assets, a 1.5% tax levied on all enterprise sales; another is the federal transfers for social asset divestiture.[10] Since the introduction of these measures, municipalities collected revenues from the turnover tax, but actual divestiture of enterprise housing to municipal governments was low. While this new tax combined with federal and regional transfers amounted to 10% of total budget revenues, it still did not meet municipal budgetary obligations for maintaining the housing sector. These additional revenues were used to fund maintenance and operation of existing municipal housing. In addition, some local officials argue that not only recurrent costs but also a certain level of capital repair of transferred assets should be funded. Enterprises did not maintain their housing stock as needed, so local officials assume that additional investments in rehabilitation will be necessary just after divestiture to compensate the poor maintenance. In terms of the capital repair, it is estimated that the total annual fiscal gap for cities as a result of divestiture would be 10% of regional budgets.[11]

The other source of revenue for municipalities is federal transfers. The amount of federal transfers needed to support divestiture to municipalities, including capital repair, is estimated at 1.2% of Gross Domestic Product (GDP), which is based on the assumption that municipalities use the turn over tax solely for the support of divestiture and regional governments contribute to this process.[12] Requests for federal assistance filed by cities grew much faster than the real rate of divestiture, and the federal government did not have the institutional capacity for properly evaluating real municipal needs in such transfers. Cities' request for federal transfers in 1994 amount to 20.7 trillion rubles, or 3.3% of the GDP, while

not more than a quarter of the overall enterprise housing stock was divested in 1992-94. The Russian Ministry of Finance allocated 12.1 trillion rubles (2.0% of GDP) for this purpose in the 1994 budget, but later reduced this to 12.1 trillion rubles during the year or 37% of the budged amount.[13] The rate of divestiture is marred by the inability of municipal governments to maintain existing housing as a result of their responsibility for subsidizing the housing and utility networks. The pace of elimination of subsidies is limited by both the general level of individual incomes and by political constraints.

The reforms to housing legislation had two major outcomes. First, there was an acceleration of privatization of municipal housing in 1992, and by 1994, 32 percent of the previously state-controlled housing stock was privatized in the Russian Federation. By 1995, in the 50 largest cities in Russia, over 50 percent of the housing stock was private. This was a major socio-economic change for post-Soviet Russia.[14] However, privatization of apartments changed nothing in the actual ownership and management of the whole building; the building itself may still be considered as municipal property which leaves the municipalities still responsible for subsidizing the housing. Second, while privatization, the transfer of the housing stock from enterprises, and the responsibility for housing in general to local governments was originally viewed positively by local governments, they changed to scepticism as the full implication of the combination of national price controls and limited local budgets became clear and as responsibility for increasing rents was devolved from the central government to localities.

Local governments have found it nearly impossible to keep up with the responsibility of the housing stock despite the fact that in 1995 nearly 30 percent of their budget was

devoted to it.[15] Most municipalities across Russia have been forced to defer the maintenance of the housing stock, while they remain responsible for subsidizing the utility networks and municipal housing. On average at the end of 1995, residents covered between 20 and 30% of actual housing and utility costs, with the rest covered by subsidies from local budgets for municipal housing. As a result, housing is the largest subsidy remaining in the fiscal system, and because of the political and social consequences, Russia must take a cautious approach to the step-by-step elimination of these subsidies.[16] Preservation of subsidies limits the possibility and desirability of truly housing privatization. Yet, despite the consumer's inability to contribute to housing costs, more profoundly, local governments have been left the task to fill the financial gap during this transitional period.

The Sakha Republic and the City Administration of Yakutsk: The Case of Housing

Located in the central, most economically developed area of the republic along the Lena River, the city of Yakutsk serves as the focal point for industry and trade. The city is in the permafrost zone, which makes construction both difficult and expensive. Traditional means of constructing housing in the west or southern Russian proved ineffective. The Sakha Republic's housing and building infrastructure, especially in remote areas, was very poor as a result of the policies pursued during the Soviet era, where administration was directed from Moscow and funding was targeted at urban centres and around industrial areas. In addition, Soviet technology and experience in housing did not meet energy efficient standards of the West. In the 1990s, as housing was transferred to the city of Yakutsk, there was an increased burden and responsibility on the local administration for maintaining this large social sphere.

Between 1991 and 1995, with the decentering of power to the Sakha Republic through a series of agreements with the Russian Federation, Sakha began its own economic and social development. The regional dominance within the Sakha Republic, and the popularity of President Nikolaev, provided opportunities to ensure republic control over the distribution of resources. With the election of the local government of Yakutsk in 1995, a new dynamic emerged in local affairs, which increased the focus on such issues as municipal funding, decision-making and service delivery. At the heart of these issues was a fundamental question: which level of government would most effectively deliver services to the residents of the city of Yakutsk?

Despite the lack of federal transfer payments to the Sakha government, Sakha did have at its disposal resources to govern. Beginning in 1992, Sakha began to draw foreign loans, using as collateral security from its gold and diamonds, which, in accordance with Sakha legislation, must remain on republic territory until sold. Foreign companies, mainly winners of various tenders, were used to help construct the Sakha Republic's social infrastructure.[17] As mentioned previously, the Republic, in its 1994 agreement with the federal government, was allowed to keep federal taxes raised by the republic to support the social sphere. Between 1991 to 1995, it became increasingly apparent that the centre had little role to play in the maintenance of the social sphere at the regional or local level. In terms of regional and local infrastructure, the republic assumed the void left by the centre. With its increased autonomy and resources, the republic pursued joint-ventures with foreign companies to construct some projects in or near the city of Yakutsk. These included: the Canadian Model Village in 1993, and the International Airport in 1995 both built by Ferguson Simek Clark (FSC) of the

Northwest Territories (NWT), Canada; the Mother-Child Centre, built by the Swiss firm Mabitex in 1995; the Presidential Tiginder Khan Hotel, also built by Mabitex; and a 10,000 seat sports stadium complete with astroturf built by a Turkish construction firm.

The increased resources and autonomy at the regional level meant the republic could now develop regional and local infrastructure without the support of Moscow. However, although the republic level was afforded the responsibility and power to develop and implement policy, much responsibility for the social sphere was downloaded to the city of Yakutsk. This downloading occurred without the financial resources from the centre or republic to meet these obligations. While the republic was financing and implementing policies in the city of Yakutsk, the city administration and the citizens of Yakutsk had very little input in policy decisions. Effectively, control over dollars meant control over policy. Thus, the question arose: is the republic the most effective level to deliver social policy and infrastructure in the city of Yakutsk? What follows is an example of regional and local decision making during this period.

The Canadian Model Village: Kanadaskaia Derevnia

As a result of Sakha's increased power and financial resources, as early as 1991, Sakha began to explore pursuing infrastructure development within the republic by using foreign joint- ventures and technology. The very first project pursued by the Sakha Republic with a foreign venture was a Canadian Model Village built by the Canadian firm, FSC of NWT, Canada. The project was administered and funded by the Sakha Republic and illustrates the republic's role in social policy delivery.

The concept for the village emerged from President Nikolaev's 1991 visit to Yellowknife, NWT for a conference on Northern development. President Nikolaev witnessed first hand Arctic Canadian building and construction technology and subsequently signed a Memorandum of Understanding between the Government of the NWT and the Republic of Sakha regarding technology exchange. In September of 1991, a proposal was presented to the Republic of Sakha by FSC and in January 1992 the contract was signed.[18] The project began in June of 1992 with materials being procured; delivery started shortly thereafter. FSC subcontracted Clark-Bowler (later Clark Builders International) of Edmonton, Alberta, as Construction Manager of the project. The project was overseen by the Minister of Construction of Sakha and *Sakhavneshstroy* was the client. Sakhavneshstroy was created in 1992 as a state construction company to work with international clients.[19]

Originally, one area discussed for the project was a village 500 kilometres northeast of the city of Yakutsk in an agricultural community dominated by fur farming, similar to remote villages in the Canadian North. The community is supported by polar foxes donated by Canadians. Existing houses are of poor construction, without plumbing, and with newspapers for windows.[20] The purpose of the pilot project was to provide an alternative to traditional Siberian architecture, which consisted of log houses. Another matter was dealing with construction in a permafrost that covers a majority of Sakha. Furthermore, the lack of infrastructure during the Soviet era left the smaller remote communities in need of maintenance or total redevelopment. The challenge was to change not only the traditional style of Soviet building and technology, but also, and perhaps more importantly, the Soviet mentality towards construction. This latter challenge was the toughest obstacle the Canadian

architects and builders faced.[21]

The original plans for the project called for accommodation for 150 residents in proven FSC Arctic design housing. The pilot project was supposed to set the foundation for 10 similar villages across the Sakha Republic to accommodate distant communities with self-contained villages in order to address the harsh Sakha winters. The Canadian companies, as contracted, brought over camp facilities, equipment such as bull dozers, transport trucks, and enough insulation to start on the next village once the pilot project was done. The first village was to use 100 percent Canadian products, and the successive villages were to gradually incorporate more local materials, until the last village was 100 percent local materials and construction labour. The rationale behind the project was to use and transfer western technology to create much needed infrastructure for future housing construction.[22]

According to Peter Ferguson, Project Director, after the supplies had arrived from Canada, the Sakha government decided the location of the project should be closer to the city of Yakutsk so experts could view the construction process and finished product more readily.[23] No alternatives were made to accommodate housing in the previously planned village. After much discussion and controversy involving the site change, the Sakha Government decided the village would be used as a school for musically gifted children from all over the republic.

Once the location of the project was moved, a local subcontractor was involved in early site development and pile installation. The transportation of goods arrived from Vancouver, B.C., in October of 1992 at the port of Tiksi, Sakha Republic (just prior to the freeze) and they were later shipped by barge down the Lena River to the city of Yakutsk.

Construction started in March of 1993 and was completed in September of 1993. The completed village was totally self contained including complete site (landscaping) and road work. There were 37 houses (22 three bedroom houses and 15 four bedroom houses), a water supply and treatment facility, a sewage treatment facility, an administration centre, a four classroom school, a general store, a health centre, a fire hall and maintenance garage, a cafeteria (originally planned for a daycare), and an emergency power station.[24]

In terms of administration and service delivery, the project posed a number of problems. First, from the onset, the project was dominated by President Nikolaev and his staff. Once the project's location was changed to a closer proximity to the city of Yakutsk, there was no local involvement from the city administration in deciding what type of housing was needed, where it would be located, and who was going to live there. Second, the project's original intent was to serve as a model for building similar villages across Sakha and for providing the republic with technological infrastructure. The Canadians therefore brought over supplies and materials, including a work camp to proceed with the second village. But, after the first project was completed, the Sakha Government decided not to proceed with the next village, a decision which contributed to the village's cost at $26 US million, something many observers viewed as excessively expensive.[25] Third, according to some local and regional officials, these funds would have gone a long way to fixing existing infrastructure in the city of Yakutsk, and the excessive cost of the republic's housing project meant that the music school residence was a poor trade for policy that might have resolved many pressing issues. In terms of accountability, the funding for the project was secured from off-budgetary funds from revenue from the Sakha government's Committee for Precious Stones and

Metals.[26] A fourth consideration was the political nature behind the project. Initially, the project was to provide housing for residents of a remote village. Once the location of the village was moved near the city of Yakutsk, rumours swirled in the city around the contentious issue of who was actually going to live in the new village; Considering the thousands of people with poor housing or in need of residence and the legacy of elite privilege, the rumours provoked public contention. One rumour was that Sakha government officials and their families were going to use the houses as their *dachas* (summer homes) or permanent residences. However, six months before the construction was completed the government had FSC change the plans of the village to replace the daycare facility with a cafeteria. Speculation around Yakutsk was that the village presented such a contentious political issue that the Sakha government decided to use the village as a music camp and school. The music camp would be used to school and house gifted students from across the Sakha Republic. By making the decision to fill such an innocuous local need, the republic administration hoped to depoliticize the issue.

The housing provided a first class musical centre for gifted children, and served as a trophy for the Republic to show off to international visitors and dignitaries. The project also represents a few successes. First, the Canadian Model Village, despite its controversy, was an incredible feat considering the logistics of the project, which could have never been built during the Soviet era. Second, the project represents a successful joint venture, including technology transfer and training. And finally, the village symbolizes a shift in policy development and financing from the federal to republic level. The President of Sakha has shown that he can leverage and deploy significant powers and authority, including resources

to administer regional and local affairs within the republic. On the other hand, the project reveals that the Sakha government was allocating resources with little consultation or input from the local area. Indeed, the use of the Sakha state construction company, and the directive of the republic, parallels some of the worst characteristics of the Soviet period of managing from the centre. The project was administered by the Presidential administration and had no definitive goals or outcomes, namely to meet the needs of the local area and people. Overall, the final product did not meet the goals of the original project, namely to provide housing for those in need.

The City of Yakutsk Federal Housing Project: Borisovka

As in many other municipalities across Russia, the city of Yakutsk was charged by the republic with the responsibility over enterprise housing, the privatization of housing, and the maintenance of existing subsidised housing stock and utilities network. Between 1992 and 1996, the total area of privatized housing in the city of Yakutsk was 910,376 square metres, which was 36.4 percent of the total amount slated for privatization.[27] Despite this start at privatization, the city of Yakutsk still remained responsible for subsidizing and maintaining a large amount of housing and utility networks. In 1994, housing and communal properties used up 22 percent of the city administration's budget.[28] Many of the housing units were in poor shape and the city could not afford to keep up with this massive responsibility. There are two explanations for this lack of municipal revenue. First, the city did not have the sufficient tax revenue powers. Second, neither the republic nor the centre would allocate funds to match municipal responsibility. While the republic took over the role of Moscow in

terms of decision-making within the republic, and had the necessary financial resources, the city of Yakutsk remained heavily dependent upon the republic.

In 1995, the newly elected mayor of Yakutsk, Spartak Borisov, attempted to address the concerns of the city. From the outset, the Mayor of Yakutsk took a pro-active approach to attaining more power for the city. Borisov's first objective after reorganizing government was to take care of the social crisis in the city of Yakutsk. The city administration wanted before the beginning of winter to relocate 500 families that lived in condemned and flooded wooden buildings in downtown Yakutsk. This district was devastated by Sakha winters and problems related to permafrost, and lacked adequate heating, sewage and power. The area suffered constant flooding as a result of the thaw after each winter. The houses were located in the Zalozhnyi district not far from the centre of Yakutsk.[29] The housing in the area was in very poor condition, and suffered from decrepit wooden structures with sunken walls and roofs.

The city administration of Yakutsk took control of the planning and administration of the proposed project to build new housing for the people in this area. The most difficult task posed to the city administration was to secure financing for the project. According to Mayor Borisov, President Nikolaev had claimed since 1993 that he wished the mayor could relocate people from the flooded area to modern housing. But Nikolaev continually failed to allocate the funds needed for the project. On June 22, 1995, Borisov wrote to the Sakha President, and asked him to issue a decree that would allocate US $12 million to the city administration of Yakutsk for the housing project.[30] Borisov maintained that the responsibility to execute the housing project should remain with the city administration of Yakutsk. The city administration

would decide who, where and how many people were going to live in the housing project. Borisov received a tentative response from President Nikolaev who promised money on the condition that there was a concrete, well devised plan.[31]

The city administration of Yakutsk wanted to oversee the project's implementation in order to meet the goals of the project. The city administration immediately began work on devising a plan to construct a housing project to accommodate the people from the flooded district. Borisov acknowledged that representatives of the Canadian firm, FSC were in the city of Yakutsk and had proven to be reliable partners with the Sakha Republic. The city administration turned their attention to this company as result of the successful construction of the Canadian Model Village and the almost finished International Airport. The mayor also noted that because FSC provided housing for gifted children, they could also be used to provide housing for citizens of Yakutsk.[32] Borisov was also formerly in the construction industry and had visited Canada. He trusted the Canadians' work and their experience in housing construction in cold weather climates. The city administration organized a delegation to Canada which included a representative of the flooded district. The trip was used as a fact finding mission to examine Canadian housing and urban planning.[33]

When the delegation returned from Canada, Borisov did not immediately ask the Sakha President for money. He first defined the areas or lots for the construction project. The Mayor's office and various city departments organized the logistics of the housing project including the utility networks and sewage, co-ordinated with the fire department and ecologists, and prepared the contract with FSC. On June 27, 1995, a meeting took place under the chairmanship of the Republican Minister of Construction, S. Nazarov (who had

previously run for mayor). The committee had to give approval for the project or make an alternative decision. The committee approved the proposal within 20 minutes. On June 29th, 1995, the proposal was delivered to President Nikolaev.[34]

The proposed apartments were not going to be luxurious. Originally the apartments were going to be three room apartments with the total area of 44 square metres. It was decided later to make them closer to Russian norms and enlarge them to 52 square metres. As a result the number of apartments would change from the approximately 500 to 460 units. In the apartments, it was proposed to have a dining room, a small kitchen, two small bedrooms and a washroom (Russians consider this to be a three room apartment as they do not count the kitchen or washroom). The apartment buildings would be two or three stories depending on the approval of the fire marshal. Each apartment would have autonomous heating controls and ventilation. The apartments would be furnished and equipped with everything but a refrigerator.[35]

Spartak Borisov attempted to do something that previous chairmen of the city executive committee and mayors of Yakutsk had only talked about. He was well aware that this was his first task in his position as mayor and he saw this as an opportunity to be rewarded later on.[36] The local press were more interested in the more obvious dividends for the city of Yakutsk. First, the project would provide housing for those people from the flooded district, and the proper funds to maintain it. Second, the removal of the poor housing would free up the area for capital housing projects with ready utility networks. Finally, the housing project would provide employment for local citizens: the Canadians would use a minimum of personnel for planning and instructing purposes, and city employees would

assemble the housing units.[37]

The Russian contribution to the housing project was to provide the piling, which was the first order of business. The housing material would come from Canada via the Port of Tiksi by way of the Northern Sea Route. The housing committee struck by the Mayor realized that there was only a limited amount of time. FSC awaited the money and guarantees in order to begin the project. Borisov indicated that local government officials had to solve all the organizational questions as fast as possible. The City Administration was worried that if it missed Arctic navigation, it would have to wait one more year. There was also concern that if alternate routes were used requiring custom duties at a non-republican port, the costs of the project would increase.

The housing project was not solidified until a visit by Prime Minister Chernormyrdin to the Sakha Republic in August when the city of Yakutsk finally secured financing for the project. This funding, interestingly enough, came from the Russian Federation. By August, Borisov had received no commitment from the Sakha government for funding and therefore lobbied Prime Minister Chernormyrdin during the PM's visit. After the PM visited the Zalozhnyi district and saw the deplorable situation, he granted the city of Yakutsk Emergency Floor Relief Housing from the Russian Federation.[38] This was a rare grant in a policy realm now largely left to the discretion of regional governments. FSC signed the contracts for construction in August of 1995 and began the project shortly thereafter.

Most project materials were purchased in Canada, assembled in Vancouver and shipped to the port of Tiksi at the mouth of the Lena River on the northern Russian coast. The project was finished in May 1996 under fast track scheduling. FSC hired local contractors

for the project including *Vostocktexmontage* for the piling, *Gorodomostory* for road construction, *Gazprom* - for gas; *Electogorod* provided the electricity, and the City architect, A. Kholmagoro, provided the layout.[39] Mayor Borisov was FSC's main contact for the housing project and the City of Yakutsk was the client. FSC also provided a one year maintenance/warranty with the contract. Three or four local people were hired under contract to maintain and operate the housing. They all worked on the construction project and after the transitional one year period expired became city employees. At the time, there was some concern about the ability of the city administration to pay for the wages of these workers.[40]

In total, 504 units (forty-eight square metre apartment units) in eight 3 storey buildings were built. The housing project accommodated approximately 3,000 people with roughly 6 people per 2 bedroom apartment. The city formed a special department to administer the move. Citizens from Yakutsk applied to city hall and were subsequently interviewed. The housing was classified one level higher than welfare housing. Most of the people who moved into the housing were from the Zalozhnyi district where the wooden houses were plagued by spring flooding.[41] The construction costs of the project was US$18 million. The cost of utility networks, sewage and other costs were paid for by the Russian Federation.[42]

The project as a whole is considered quite a success. The housing unit is now known as Borisovka, which reflects the public support for the mayor's efforts by the residents of the apartments and local media.[43] More importantly, the whole venture was administered by the city Administration of Yakutsk and met the goals of the project. The housing project provided very good alternate living conditions for those resettled from the flooded district of Yakutsk. The city administration designed, implemented, and executed the project utilizing

local decision-making. The city administered the move, and provided housing for those most in need. The housing project also revealed a few problems. First, despite the increased economic power of the republic and its control over much of social policy, the city had to lobby the federal government for funding which leads to two conclusions. Although the republic level was in charge of maintaining the social sphere within the republic they were not meeting this obligation. Second, while the city administration was successful on lobbying funds for the project, the very fact they had to approach both the republic and federal level reveals that they still lacked effective local power, namely a consistent fiscal arrangement to meet local responsibilities. Essentially, without a clear source of independent revenue, the city administration of Yakutsk has to rely on the benevolence of the republic or federal level for meeting basic services. Lastly, the entire situation reveals the lack of continuity in terms of financing of services among the levels of government.

Conclusion

The analysis of housing in the Sakha Republic provides two main conclusions. First, with the decentering of power and autonomy, the Sakha Republic is able to not only pursue joint-ventures with foreign companies but also exercises increased control over social policy. This reveals a fundamental shift from the Soviet period, where decisions and resources were primarily concentrated in Moscow.

The Sakha Republic's power, however, is concentrated in the office of its President and his executive and state committees. As a result of state run construction companies, and the use of off-budgetary funds, the republic has spent an exorbitant amount of money for

projects that most would agree have brought only limited benefit to the public.

Second, with the increased role of the Republic in terms of funding public services, the city administration of Yakutsk is left with little financial assistance to maintain such basic needs as housing. The city of Yakutsk, as most other Russian cities, now carries the primary responsibility for housing and utility services in spite of deep cuts in central subsidies. Faced with rising costs for the maintenance of the municipal stock, local governments have been forced to defer almost all maintenance. There are three main consequences form the devolution of such responsibilities: first, the reduction of the share of central budget financing in state funding; second, the sharp contraction in overall state funding of new production; and finally, the large cuts in subsidies to housing maintenance and the rising burdens of local government. In other words, the transfer of responsibility over housing from the centre to the locale has not been parallelled by a commensurate shift in government capacity to financially meet local services.

The most significant revelation from this study in Yakutsk was that in spite of increased capacity of the republic to maintain the social sphere, the city administration of Yakutsk had to secure financing from the centre. All this came about despite the fact that the Republic's powers were intensified. On June 29, 1995, Boris Yeltsin signed a secret decree, "On Regulating the Use of Natural Resources in Order to Provide Financial Support for the Economic Development of the Republic of Sakha (Yakutia)." The agreement entitled Sakha to increase its gold-mining quota from 12% to 15%, and quota for gem-quality diamonds from 20% to 25%.[44] This agreement increased the republic's revenue generating power, but left little benefit for the maintenance of the city budget. This reveals that the city of Yakutsk

must continue to secure financing from the centre and the republic on an *ad hoc* basis. It also indicates that the centre has no real fiscal system in place for the distribution of resources among the levels of government. While the Sakha Republic gained the necessary resources, namely tax revenue and resource royalities, to meet its social obligations, the federal government still had to provide funds to the local administration. Over all, this situation points to an overlying problem across Russia, the lack of clarity in budget and tax relations among the levels of government, including a source of independent and stable source of revenue for local governments, must be overcome in order to provide the institutional capacity to meet local responsibilities.

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[1] The Canadian Model Village is transliterated as *kanadskaia derevnia*.

[2]Bertrand Renaud, "The Real Estate Economy and the Design of Russian Housing Reforms, Part 1," *Urban Studies*, Vol. 32, No. 8, 1995, 1249.

[3] See O. Bessonova, "The reform of the Soviet housing model," in B. Turner, J. Hegedus and I. Tosics eds., *The Reform of Housing in Eastern Europe and the Soviet Union* (London: Routledge, 1992), 276-289. See also B. Ruble, "From Khruscheby to Korobki" in W.C. Brumfield and B. Ruble eds., *Russian Housing in the Modern Age* (Cambridge: Cambridge University Press, 1993), 171-210.

[4] Bertrand Renaud, "The Real Estate Economy and the Design of Russian Housing Reforms, Part 1," 1250.

[5] Bertrand Renaud, "The Real Estate Economy and the Design of Russian Housing Reforms, Part 2," Urban Studies, Vol. 32, No. 9, November 1995, 1438.

[6] "The Russian State Statistics Committee Reports on Privatization," *Izvestia* 21 May 1999, 1. Cited in: *Current Digest of the Soviet Press*, Vol. 45, No. 21, 1993, 7.

[7] Betrand Renaud, "Monitoring Russia's Experience with Housing Allowances," Urban Studies, Vol. 34, No. 11, 1997, 1793.

[8] Lev M. Freinkman and Irina Starodubrovskaya, "Restructuring of Enterprise Social Assets in Russia: Trends, Problems, Possible Solutions," Policy Research Working Paper 1635, August 1996 (World Bank), 22.

[9] *Report on the Real Rate of Housing Divesture in Russia*, (Washington: Urban Institute 1995).

[10] Lev M. Freinkman et al., "Restructuring of Enterprise Social Assets in Russia: Trends, Problems, Possible Solutions," 19.

[11] Lev M. Freinkman et al., "Restructuring of Enterprise social Assets in Russia: Trends, Problems, Possible Solutions," 20.

[12] Ibid., 20.

[13] Ibid., 20.

[14] Betrand Renaud, "The Real Estate Economy and the Design of Russian Housing Reforms, Part 2," 1438.

[15] Bertrand Renaud, "The Real Estate Economy and the Design of Russian Housing Reforms, Part 1," 1249.

[16] Lev M. Freinkman et al., "Restructuring of Enterprise Social Assets in Russia: Trends, Problems, Possible Solutions," 13.

[17] *Respublika Sakha (Yakutia),* Special Issue of *Deloviye Lyudi*, November 1994, 5.

[18] Ferguson, Simek and Clark, *A Canadian Village For Sakha, Russian Federation*, (Yellow Knife: FSC, 1994).

[19] Ibid.

[20] Author's Interview with Peter Ferguson, Project Manager FSC, Yaktusk, Sakha Republic, 8 July 1995.

[21] Author's interview with Peter Ferguson, Project Manager FSC, Yakutsk, Sakha Republic, 8 July 1995.

[22] Ibid.

[23] Ibid.

[24] Ferguson, Simek and Clark, *A Canadian Village For Sakha, Russian Federation*, (Yellow Knife: FSC, 1994).

[25] There was no clear indication why the Sakha Government did not proceed with the next village, however, it is quite likely that the costs of the first village forced the Sakha Government's decision not to proceed.

[26] Originally, funds were going to be secured through a trust set up by the NWT's government that Sakha Republic would pay into, and FSC would invoice against these funds. According to officials from FSC, the Sakha Republic decided to pay FSC directly because they were quite confident in their ability to pay.

[27] Information from the City Administration of Yakutsk, 1997.

[28] *Respublika Sakha*, 21 September 1994, 2.

[29] Ibid., 2.

[30] Ibid., 2.

[31] Ibid., 2.

[32] Author's Interview with FSC, Edmonton, Alberta, 28 February 1997.

[33] *Respublika Sakha*, 21 September 1994, 2.

[34] Ibid., 2.

[35] *FSC Designed Housing*, (Yellow Knife, NWT: FSC), 1997. Some members of the Sakha government thought that they should use the hard currency to build good quality cottages or two or three multi-story buildings. Borisov's reasoning for maintaining the original design of housing was to ensure that the housing would serve the purpose it was intended for. It was thought that if the design of housing changed, it would attract the local mafia or higher privileged citizens, leaving those in need without housing. Essentially, the simpler the housing the less attractive it would seem to the more privileged citizens. It was also felt that the small size of the apartments would serve as a detraction. Borisov noted, that in the Soviet period, it was usually the most privileged citizens that received new housing.

[36] *Respublika Sakha.*, 21 September 1994, 2.

[37] Author's Interview with FSC, Edmonton, Alberta, 28 February 1997.

[38] *Respublika Sakha*, 9 August 1995, 2.

[39] Author's Interview with FSC, Edmonton, Alberta, 28 February 1997.

[40] Ibid.

[41] Ferguson, Simek and Clark, *FSC Designed Housing* (Yellow Knife: FSC), 1997.

[42] Author's Interview with FSC, Edmonton, Alberta, 28 February, 1997. While the funding for the project was provided by the Russian Federation, the responsibility for providing personal for the maintenance of the housing units was left to the city administration of Yakutsk.

[43] *Respublika Sakha*, 30 June 1995, 2.

[44] Naryshkina, Anastasia, "Republic Wins Right to Bring Foreign Investors into Diamond Mining," *Sevodnia*, 25 July 1995, 9. Cited in *Current Digest of Post-Soviet Press*, Vol. 47, No. 30, 25 July 1995, 16-17.

Chapter Four

Conclusion

This thesis examined the division of power and authority in the Russian federation between 1991 and 1995. The analysis revealed that a shift of power and authority has taken place between the centre and the regions. The consequence of this shift is a weakened center and stronger regions. While this decentering of power and authority is important to the political and economic development of the Russian state, it has taken place in a haphazard manner. Executive power in regions and republics may be important during a transitional stage of state building, but the amalgamation of power and authority in the regional executive bodies has hampered the development of local governments, and, quite possibly, democracy. The lack of clarity between the centre and the regions has left the local level with weak autonomy and little control over adequate resources. Without any source of stable revenue, be it independent revenue or grant payments, local governments may be little more than administrative tentacles of regional and governments. The relationship between the centre and the regions, including the bilateral treaties, tax arrangements, in addition to the strength of the regional executives, presents not only a precarious situtation for local governments, but to the Russian state as well.

If we return once again to Smith's indicators for a decentered system of government we may be able to determine what must be overcome for local governments to become effective self governing institutions. In one sense decentralization has occurred in Russia to local levels of government. While legislation at the federal and regional level has in theory

given local governments the requisite power and authority to govern, in practice this has not been the case. Rather than the delegation of power to local governments, what has in fact occurred is the transfer of decision-making authority without the necessary power and capacity, namely a consistent source of financial resources, to implement decisions and to govern. Thus, while authority has been decentered, the increased power of the regions in post Soviet Russia signifies the role that regions have played in effectively blocking any flow of power to local governments.[1] While regions now possess ample executive power, and are armed with new legislation and autonomous sources of revenue, Russia's newly elected local government officials are equipped with incomplete legislation and are still subject to regional hand outs.[2]

At the end of 1995, it was apparent that the domination of regional executive bodies in the affairs of local self-governments was a tremendous challenge to any further decentering of the Russian state. Many regions have pushed ahead of impending federal legislation and adopted their own 'charters' (regions) and constitutions (republics). In fact the Russian constitution gives Russia's regions and republics the power to create their own structures of local governments. While regional and republic charters and constitutions 'speak glowingly' of local governments, in reality no real power has been transferred. In fact, the regions have combined increased fiscal control of resources with the delegation of new responsibilities to local government without the allocation of appropriate financial resources to fulfill them. The lack of adequate resources to match new responsibilities severely limits the ability of local government officials to exercise powers devolved to them earlier. Regional legislatures have played a tentative role in providing legislation for local governments and curbing regional

power. Regional legislatures, however, have to work into their institutional role, particularly in their capacity to monitor and check regional executive bodies.

One of the major problems in Russia is the unstable fiscal arrangement between the centre and the regions. The use of bilateral agreements between the federal government and the regions, such as with the Sakha Republic, created a system where there was no coherent tax policy in place. Four republics, Karelia, Tataria, Bashkiria and Sakha, in 1995 continued to operate under the special tax and budgetary conditions that they negotiated in 1991 to 1993. The federal government continued to enter into bilateral agreements with other regions, which left little opportunity to establish normal interbudgetary relations. As a result of a reduced payment of taxes, there was a general shift in the distribution of federal assistance from the east to the west and from the north to the south. For instance, in 1993, the Siberian regions received 21 percent of all federal subsidies, in 1994 they received only 10 percent.[3] This created a system where the federal government did not receive revenue, and had little influence in these regions. Regional governments thus decide independently how to allocate fiscal transfers. According to the Mayor of Vladivostok, intergovernmental financial relations are nothing more than a feeding frenzy.[4] This means that the larger, more powerful regional administrations have first dibs, leaving little more than bare bones for local governments.[5]

These developments have left little certainty for the local level. While the decentering of responsibility was expected to lead to government more responsive to the public interest, regional governments have instead merely downloaded many responsibilities to the local level. The lack of budgetary independence and the financial burden on city budgets in Russia means that those governments closest to the people have the most limited amount of resources to

address public concerns.

As the example of the City of Yakutsk housing project illustrates, although responsibility for much social policy is no longer with Moscow, the Russian federal government still ended up providing the financial resources for the city housing project. In this sense, we can question whether the incomplete decentering of the Russian state has been a positive development. Now local governments are left struggling to pick up the slack caused by federal ministries and agencies no longer dictating social policy. But local governments now rely almost solely on regional and federal institutions for fiscal support. In as much as regional governments can be negligent in meeting any financial obligations, the center is still on the financial hook. The example of the city of Yakutsk vividly demonstrates the inability of local authorities to solve social and economic problems on their own. This situation in itself does not differ in principle from challenges faced by municipalities in Canada or the US. In Russia, however, there is no defined support for the local level from the region nor the federal government. In addition, Russian local governments are responsible for many more services than local governments in other federations and their role and importance is intensified in the transitional political and economic systems in Russia. Considering the Russian economy is in a critical state in virtually every region, it is not difficult to hypothesize that should Moscow decide to provide assistance to one region, the number of requests to the federal government will increase and pressure from local areas will be intensified.

One possible solution is for the central government to play a more active role in providing local governments with the necessary power and capacity (a stable source of revenue) to govern. In traditional federations local governments are usually under the

jurisdiction of regional governments (ie. provinces in Canada or states in the United states). In Russia, however, local governments are under both regional and central control and as such, local governments need central assistance in their relationship with the more powerful regions. Primarily, what Russia needs is a consistent fiscal arrangement that ensures that each level of government plays by the same rules of the game. In terms of local government, this would include tax revenue that is allotted for the local level to stay at the local level. This would be beneficial to the Russian federal government as well as local governments. Strengthening local governments could help foster a more stabilized balance of powers outside of Moscow by offsetting the powers of the regions.[6] Second, by providing local governments with more resources, the chance for abuses of power by regional executives is limited and there remains the possibility that services will be provided more consistently and more readily. The case of the housing projects in Yakutsk illustrate that local governments can deliver services more effectively than the regional level.

In the final analysis, the decentering of the state can contribute to democracy if power and authority are divided and accepted among all levels of government. While the transfer of responsibilities, such as the social safety net to regional governments, was supposed to ease the strain on the federal government the result has been that regions have passed on the burden to lower levels of government and have more or less adopted their own fiscal arrangements with the center. The uncertainty of center-regional relations is also an impediment to realizing local government. The fate of local government is not only dependent upon the center providing adequate legislation, but providing a more defined system of intergovernmental relations.

The challenge for future research with respect to local government is Russia at this stage will be to assess intergovernmental relations within each regional level. Empirical research is needed that evaluates local jurisdictions in order to determine whether they have the powers as outlined by the Russian Constitution, and whether they have the initiative to use it. This thesis reveals that while nominal authority has been transferred to the local level, power, (namely financial resources) has not.

This thesis is an initial contribution to local government research. The direct examination of local and regional government in Russia, with the case study of the Sakha Republic and the city of Yakutsk, illustrates the nature of intergovernmental relations in Russia by focusing on the manner that the region has played in shaping local government. In doing so, it contributes to an understanding of the consequences of decentering the state and to the important role of the local government to the overall reform in post communist countries. Defining and balancing power and authority among the levels of government may provide one road to a stable future. Providing Russia's local governments with adequate resources and power may move Russia closer to the realization of democracy by bringing decision-making closer to the people.

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[1] While there may be some exceptions in terms of local government's success in achieving power (a stable source of revenue) for the city administration (Moscow, Nizhnyi-Novgorod, and Mirnyi (Sakha Republic), in general local government across Russia face dire economic constraints. In the case of Mirnyi, Sakha Republic, an agreement was signed with the Sakha Republic where a portion of diamond revenues remains with the city administration. Even these exceptions point to special arrangements rather than any form of consistent budgetary framework between the regions and local governments.

[2] See John Young, At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation, " in Peter J. Stavrakis, Joan DeBardeleben and Larry Black eds., *Beyond the Monolith: The Emergence of Regionalism in Post Soviet Russia* (Baltimore: John Hopkins Press, 1997).

[3] Aleksi M. Lavrov, "Russian Budget Federalism: First Steps, First Results," Current Digest of the Post-Soviet Press, Vol. 47, No. 23, 5 July 1995, 3.

[4] Ibid., 3.

[5] Federal efforts to provide guaranteed revenue to local governments led to a new budget law in the Fall of 1997, but was effectively demolished prior to implementation by the fiscal crisis in 1998.

[6]See Young, "At the Bottom of the Heap: Local Self-Government and Regional Politics in the Russian Federation," p. 25. Also see: James F. Hicks and Basrtlomiej Kaminski, "Local Government Reform," *Transition to Democracy in Poland*, edited by Richard F. Starr, New York: St. Martins Press, 1993, p.79; and Jonathan Fox, "Latin America's Emerging Local Politics," *Journal of Democracy*, Vol.2 No. 5, 1995.

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