

**Institute for the Economy in Transition**

# **RUSSIAN ECONOMY IN 2009**

**TRENDS AND OUTLOOKS**

*(ISSUE 31)*

Volume 1

**Moscow**  
**2010**

UDC 33(470+571)(066)"2009"

BBC 65.9(2Рoc)я54

*Agency CIP RSL*

**Institute for the Economy in Transition**

**Editorial Board:** *S. Sinelnikov-Murylev (editor-in-chief),  
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R95 Russian economy in 2009 (issue 31): Trends and outlooks / Inst. for the Economy in Transition; [S. Sinelnikov-Murylev and others]. In 2 Volumes. Volume 1. – M.: IET, 2010. – 340 p.: il. – ISBN 978-5-93255-288-9.

The review provides a detailed analysis of main trends in Russia's economy in 2009. The paper contains five big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit and financial spheres; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

**The publication of the present paper was sponsored with the grant from the United States Agency for International Development (USAID)**

UDC 33(470+571)(066)"2009"  
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ISBN 978-5-93255-288-9

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**Irina Starodubrovskaya, Nina Mironova**

### **2009 as a Year of Municipal Counter-Reform**

In accordance with Russian municipal legislation, the year 2009 was to be the first year of full-scale implementation of municipal reform throughout the whole territory of this country, except the Republic of Ingushetia and the Chechen Republic where this process is to be launched from early 2010. The so-called transition period lasted from 2006 through 2008. During that period, the authorities of the Federation's subjects were able to regulate, on their own and on a rather broad scale, the rate of development and directions of the implementation of the transformations envisaged by reform.

Formally, by 1 January 2009 the transition period was over in all subjects of the Federation (with the exception of the two mentioned earlier), and municipal reform began to be implemented on a full scale all throughout Russia. In the Republic of Ingushetia and the Chechen Republic the territorial base for local self-government was created, and 11 October 2009 municipal elections were held there. In the Republic of Ingushetia, 46 municipal formations were created: 4 urban okrugs, 4 municipal rayons, and 38 rural settlements. All municipal formations have adopted a model whereby heads of municipal formations are to be elected by representative bodies from among their deputies. In the Chechen Republic, 2 urban okrugs, 15 municipal rayons, 2 urban and 219 rural settlements were created. Heads of municipal formations were elected by universal direct suffrage.

In this connection, it would have been an exaggeration to state that all the problems pertaining to the implementation of municipal reform in these regions have been adequately solved. For example, one of the biggest towns in the Chechen Republic – Gudermes – received no municipal status at all, and so remained a mere settlement, the administrative center of Gudermes Rayon. All the powers of bodies of local self-government within the boundaries of the town of Gudermes are exercised by the rayon authority<sup>1</sup>. Besides, there remains uncertainty with regard to the lack of proper delimitation of the borders of these RF subjects. Thus, legislation of the Chechen Republic on the creation of the Sunja Rayon municipal formation and the municipal formations of which this rayon is to consist, as well as on the establishment of their borders and the endowment of them with the status of a municipal rayon and a rural settlement respectively<sup>2</sup> has been indeed adopted, but with the stipulation of the condition that the final delimitation of the borders of Sunja municipal rayon will be achieved only after an agreement is concluded between the Chechen Republic and the Republic of Ingushetia concerning the establishment of their administrative borders in accordance with the RF Constitution.

At the same time, just as it happened in previous years, the formal indices of municipal reform's implementation and the real processes going on in that sphere were not only in dis-

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<sup>1</sup> The Law of the Chechen Republic, of 27 February 2009, No 19-RZ 'On the creation of the municipal formation of Gudermes Rayon and the municipal formations of which it is to consist, the establishment of their borders and the endowment of them with the corresponding status of a municipal rayon or rural settlement'.

<sup>2</sup> The Law of the Chechen Republic, of 13 February 2009, No 6-RZ 'On the creation of the municipal formation of Sunja Rayon and the municipal formations of which it is to consist, the establishment of their borders and the endowment of them with the corresponding status of a municipal rayon or rural settlement'.

cord, but sometimes their dynamics were even differently vectored. This fact became particularly obvious in 2009. In actual practice, that year was by no means a period of the most complete revelation of the potential hidden in the transformations envisaged by the ongoing reform – instead, it became a period of curbing municipal reform and an active infringement on the autonomy of local self-government, which began to be incorporated into the vertical of authority. In a situation when it was legally impossible to switch over – by analogy with the appointment of governors – to direct appointment of mayors (in accordance with the Constitution of the Russian Federation, bodies of local self-government are not part of the system of bodies of state authority), some other methods for establishing control over local self-governments were found. This control was by no means exercised by the population – whose rights relating to organizing local life were significantly reduced – it was imposed from above by superior levels of authority. Early last year, a presidential draft law was submitted to the State Duma, whereby it was envisaged that a special institution for removing from office heads of municipal formations was to be established; the law was finally approved on 7 May 2009. This legislative act envisages an extrajudicial dismissal of heads of municipalities on the initiative of deputies of the representative body of a municipal formation or of the supreme official of a given subject of the Federation. The decision concerning the dismissal of the head of a municipal formation is to be made by the representative body's qualified majority, and in this connection the region's head must voice his opinion on this issue. The grounds for dismissal can be a substantial volume of outstanding accounts payable accumulated through the fault of the head of a municipal formation, or non-targeted spending of budget resources; a failure to fulfill, for three or more months, his obligation with regards to issues of local importance or the execution of state powers; and the results of the activity of the head of a municipal formation (as stated in his annual report) being estimated twice (in a row) as unsatisfactory by the representative body of a municipal formation. The head of a municipal formation enjoys the right to receive complete information concerning the date and place of conducting a meeting of the representative body and the content of documents relating to his own dismissal, as well as explanations concerning the circumstances referred to as the grounds for the dismissal.

In spite of the 'presidential' character of the innovations, the response to them on the part of society was by no means uniform. This issue was actively discussed at the meetings of the State Duma, by the experts' community, and in the press. The draft law was spoken against by some political parties, such as the CPRF and *Yabloko*; the deputies from the CPRF refused to vote for its approval in the first reading. The All-Russian Council on Local Self-Government received more than 300 comments from municipal formations suggesting some serious amendments to the draft law. This issue attracted the attention of the Congress of Local and Regional Authorities of Europe, which requested all the documents and set up an expert commission to examine them.

The opponents of the amendment noted that its introduction would result in creating a special institution for removing 'inconvenient' heads of local self-government who might be disliked by the governor for some or other reason, as well as in increasing the dependence of municipalities on the party in power. Thereby the independence of local self-government and its position outside of the system of bodies of state authority, which is guaranteed by RF Constitution, will be severely violated. Thus, in the appeal to the RF President from the Russian Association of the Democratic *Yabloko* Party it was noted that the vagueness of the procedure of enforced dismissal, the lack of guarantees of judicial protection and the lack of an arbiter in

estimating the grounds for putting forth the initiative concerning an enforced dismissal would inevitably give rise to intrigues and punishments motivated by personal dislike, political ideology, or vested economic interest<sup>1</sup>.

Out of all the arguments against the draft law, only two significant points were indeed taken into consideration: the list of grounds for dismissing heads of municipal formations was made closed and more precise; and the interval before a repeated proposal of a head's dismissal was lengthened to two months. The issues relating to the governor's role in initiating the dismissal procedure, the absence of judicial protection of heads of municipalities, and the passive role assigned to the population in this process remained unchanged.

In late 2009, a law was adopted whereby the procedure for merging settlements was altered. Instead of obtaining the population's consent to this (locally very important) type of territorial transformation expressed by voting or a general meeting of residents, it became sufficient to obtain the consent thereto of the representative body of a given municipal formation. As a result, regional authorities now had at their disposal a rather simple and easily controllable mechanism for carrying out territorial transformations, whereas a local referendum on this issue had by no means always yielded desirable results<sup>2</sup>. This decision – of fundamental importance for local self-government – was actually made without any preliminary discussion with the participation of the municipal and experts' community or any serious analysis of its potential consequences. As the Chairman of the State Duma Committee for Local Self-Government noted in this connection, 'merging of small settlements is necessary, it is already under way; we are only eliminating red tape and procrastination'<sup>3</sup>.

It cannot unequivocally be stated that the period that elapsed between these two events – which have irreversibly eliminated the positive potential of municipal reform – was indeed full of energetic activity in the sphere of local self-government. Rather, one may speak of the interest in this particular issue gradually dwindling. Thus, the problems of local self-government remained practically unnoticed in RF President Dmitry Medvedev's Message to the RF Federal Assembly; besides, no strategic tasks have been formulated with regard to that particular sphere. Only current issues – although indeed important for the functioning of municipal authorities – were dealt with within the framework of the activity aimed at improving the institutional mechanisms of local self-government; and the solutions that were offered were by means always the best ones.

Some alterations were introduced in legislation on local self-government. Among the most important of these, the following can be noted:

- The list of interbudgetary transfers to be taken into account when determining the level of a municipal formation's reliance on donation was revised and abridged by the exclusion

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<sup>1</sup> Appeal to President of the Russian Federation D. A. Medvedev 'On introducing amendments to the draft of a Federal Law designed to allow dismissal of city mayors on the initiative of governors'. The Bureau's Decision No 788 was adopted on 28 March 2009. See [http://www.yabloko.ru/resheniya\\_byuro/2009/04/06](http://www.yabloko.ru/resheniya_byuro/2009/04/06)

<sup>2</sup> While in some regions the necessity of obtaining the population's consent was no obstacle to enlargement of population units (for example, in Vologda Oblast where the current crisis has brought about a significant reduction in the number of settlements), in others the local population was rather unanimous in their rejection of the suggested reform. Thus, in Cheliabinsk Oblast the large-scale plans developed by the regional authorities with regard to merging settlements ended up in an almost total fiasco – the referendums in a vast majority of cases yielded negative results. A similar situation was also typical of Amur Oblast.

<sup>3</sup> Gorodetskaia N. Ob'ediniat' poseleniia nachnut bez lishnikh skhodov [They will begin to merge settlements without too many resident meetings] // Kommersant. 11 December 2009.

<http://www.kommersant.ru/doc-y.aspx?DocsID=1290191>

of subventions and the subsidies and interbudgetary transfers granted to municipal formations for funding their execution of part of their powers relating to issues of local importance in accordance with concluded agreements, which were covered from the Investment Fund of the Russian Federation<sup>1</sup>;

- the procedure for a switchover from a direct election to the representative body of a municipal rayon to its forming by delegates from settlements was defined more specifically<sup>2</sup>;
- the list of rights enjoyed by bodies of local self-government was augmented by the right to create a municipal fire service<sup>3</sup>.

In September 2009, two commissions of the RF Public Chamber – for regional development, and for local self-government and housing policy – in cooperation with the European Club of Experts on Local Self-Government – held experts' hearings on the theme 'The current status and prospects for local self-government in the Russian Federation'. At that meeting, the community of independent experts expressed their concern in connection with the increasingly negative trends observed in the sphere of Russian local self-government and the inadequacy of measures resorted to by the federal center in its attempts to achieved the declared goals of municipal reform. In the Recommendations issued as result if the hearing, it is noted that an analysis of the situation in Russian regions has confirmed the fact that the negative processes associated with the implementation of Federal Law FZ-131 and repeatedly pointed to by all related public organizations and the experts' community continued to develop throughout the year 2009<sup>4</sup>. In addition to proposals for adjusting the current policy of reforms and strengthening control over the implementation of the most disputable decisions adopted recently in this sphere, the Recommendations also contain some strategic proposals, in particular:

- to consider the possibility of separating from local self-government the rayon level, with reestablishing the status of an administrative rayon as the lowest fundamental level of state authority bearing full responsibility for fulfilling state obligations;
- to return to the issue of dividing big cities into districts and determining the status of urban districts.

As both these recommendations appear to be disputable, it is advisable that further discussion in the framework of the experts' and municipal communities should take place.

In December 2009, the Council for Local Self-Government under the Chairman of the State Duma met in order to discuss issues pertaining to the development of inter-municipal economic cooperation. In the resolution adopted by the Council it was stated that there existed some obstacles in the way of developing this form of interaction between municipal formations that had to do both with the specific features of its legal regulation and the widespread practice of transferring certain powers of settlements to municipal rayons. The former issue became especially prominent in the course of the Council's meeting. Thus, Viacheslav

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<sup>1</sup> The amendment was introduced by Federal Law, of 28 November 2009, No 283-FZ 'On the Introduction of Alterations into Some Legislative Acts of the Russian Federation'.

<sup>2</sup> The amendment is introduced by Federal Law, of 27 December 2009, No 365-FZ 'On the Introduction of Alterations into Some Legislative Acts of the Russian Federation in Connection with Improving the Performance of the Bodies of State Authority of Subjects of the Russian Federation and Local Self-Government Bodies'.

<sup>3</sup> This amendment is also introduced by Federal Law, of 27 December 2009, No 365-FZ.

<sup>4</sup> Information letter of the RF Public Chamber's commissions for local self-government and housing policy No 83/AOB of 13 November 2009 to Chairman of the RF Council of the Federation's Committee on Local Self-Government Issues, President of the All-Russian Congress of Municipal Formations S. M. Kirichuk.

Glazychev said that ‘in our conditions, the scheme of inter-municipal interaction decisively contradicts the tradition of “packaging” the settlement-type municipal formations inside another municipal formation’<sup>1</sup>. He was opposed by Viktor Pankrashchenko who noted that ‘the “packaging” of settlements inside a municipal rayon is contrary to the letter of the law but is absolutely compatible with its spirit and, most importantly, with the existing economic system of the Russian Federation. So, whatever is adopted by way of the laws, this process will go on in actual life’<sup>2</sup>. In this connection, a number of different proposals were voiced as to what the further evolution of municipal rayons was to be like, including the option of turning them into the territorial bodies of state authority.

However, this issue – just as some other among the most interesting issues that had been discussed (for example, the necessity of introducing changes in legislation in order to promote inter-municipal cooperation in the sphere of urban development, or the necessity of legislative regulation of inter-municipal cooperation in the framework of urban agglomerations as a whole, with regard to which the participants of the discussion expressed their personal points of view) – have not so far been reflected in the Council’s decision. Instead, it was recommended – and this was perhaps the only concrete proposal – ‘to investigate the issue of introducing in legislation and subsequently in actual practice such organizational-legal forms of inter-municipal cooperation as an inter-municipal enterprise and an inter-municipal institution, and for this purpose to adapt the existing legal structures of municipal institutions and municipal unitary enterprises to the stated goals’<sup>3</sup>. In fact, this means that some already discredited organizational-legal forms – of which bodies of state authority and local self-government alike have gradually been getting rid of – will once again be implemented in inter-municipal cooperation, which has been demonstrated, for example, in Nadezhda Kosareva’s speech at the Council’s meeting.

As for the practice of executing the functions of local self-government in 2009, it was increasingly characterized by anti-reforming trends, some of which had been given rise to by the introduction of new legislation, while others were a continuation of the processes that had already been going on for a few years. The most evident trends were associated with the following phenomena:

- practical implementation of the norms allowing dismissals of heads of municipal formations;
- a continuing practice of judicial prosecution of heads of municipal formations;
- further restrictions on applying the general election procedure to heads of municipal formations;
- an intensifying struggle of United Russia for ‘suitable’ outcomes of municipal elections by applying, among other things, certain forms whose legitimacy was questionable.

Some attempts to dismiss heads of municipal formations had been made even prior to the official entry into force of the amendments introduced with regard to this issue. The first precedent in this vein occurred in early June 2009 in Oziorisk, a town in Cheliabinsk Oblast. The initiative that Mayor Sergey Chernyshov should be dismissed was put forth by *Fair Rus-*

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<sup>1</sup> Transcript of the meeting of the Council for local self-government under the Chairman of the State Duma devoted to the issues of developing inter-municipal economic cooperation. <http://www.komitet4.km.duma.gov.ru/site.xp/050056054124051048052.html>

<sup>2</sup> See *ibid.*

<sup>3</sup> See *ibid.*

*sia*'s faction that held a majority in the City Council of Deputies. According to the faction's leader, 'the issue as to the mayor's dismissal has been 'ripe' for a long time already: he has completely neglected the town, and even litter is now collected and disposed of very negligently in Oziorsk.' The opinion of the governor of Cheliabinsk Oblast that he would not object to the dismissal of the head of that municipal formation was related (orally) by Vice Governor N. Riazanov who then arrived at Oziorsk. As regards the grounds for their decision the deputies cited two reasons who actually gave rise to many questions. The first one was the mayor's report for the year 2008 that had been estimated by the deputies as unsatisfactory (usually in cases like this a special commissions with the participation of deputies is created, and the report is then elaborated further). The second reason was that the report for the year 2007 had also been unsatisfactory. Mr. Chernyshov argued that last year's report had already been accepted by deputies, but they nevertheless black-balled him retrospectively.

Besides, the expression of lack of confidence in the mayor was legally disputable from the point of view of the decision-making procedure established for settling such cases, of which the deputies had been warned beforehand by a representative of the city prosecutor's office. Firstly, the doubly negative assessment of the mayor's report took place before 24 May, when the new Law had not yet come into force. Secondly, the mayor's explanations were not heard, as it was required by the law (because he was at that time on a leave). As a result, on 16 June the Oziorsk City Court of Justice deemed the dismissal of the head of Oziorsk City Okrug to be unlawful and passed a ruling that the suit filed by the acting Okrug's head be satisfied, and then on 21 June the Cheliabinsk Oblast Court of Justice declined the cassational appeal filed by the deputy.

One more attempt to dismiss the head of Oziorsk was made in early September, but this time the number of deputies' votes necessary for passing the resolution could not be collected. Representatives of law enforcement agencies once again warned the deputy corpse that this decision would be unlawful. This time it was pointed out that the violations of which the mayor was being accused of had not been proved. Besides, no official opinion of the governor concerning this issue was available. Thus, this new attempt to implement the dismissal procedure also failed.

At the same time, the town's deputies altered the procedure for forming the bodies of local self-government – the town's head was, from then on, to be elected from among the members of the town council, while the town administration was to be headed by a hired manager. Thus, at the municipal election in March 2010 the population will no longer be able to decide who is to be the head of their municipal formation.

The second incident involving a head's dismissal happened on 16 June 2009 in Suzdal, where the town deputies decided to terminate early the powers of the Suzdal mayor, S. Godunin, because of his failure to act properly. According to chairman of the Suzdal Town Council V. Malashkin, 'During the past year Godunin did not sign and did not publish the decisions of the town council. The deputies have failed to find any answer to the question as to why he has been sabotaging the town council's decisions'. Malashkin added that this was by no means the only one reason why Godunin had to be dismissed early: 'The problems have kept arising throughout all the three-and-a-half years after was elected the town's head'<sup>1</sup>. Meanwhile, such a situation is also rather controversial. Legislation lacks sufficient regulation

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<sup>1</sup> Cited from the news archive of the newspaper 'Mestnoe samoupravlenie' [Local Self-Government], <http://emsu.ru/lg/default.asp?item=12>



of the issue as to what the head of a municipal formation must do when he considers the decision made by the representative body to be incompatible with the law, and what responsibility he must bear if he signs the adopted decisions. The fact of conflict between a town's head and the deputies' corpse in such a situation does not mean in itself that the mayor is always in the wrong.

The only case when a head of a municipal formation was dismissed on a governor's initiative was the dismissal of Yu. Vostriakov, mayor of the town of Tchaikovsky in Perm Krai. The decision to this effect was made by the town's deputies on 30 July 2009. The Krai governor, O. Chirkuniv, had come forth with this initiative because of the systematical failures of the urban settlement's head to properly perform his duties with regard to settling issues of local importance. Specifically, the mayor was blamed for having failed to properly deal with the following two issues:

- the organization of the service of hot water supply to citizens;
- resettling of citizens from hazardous buildings.

As the Krai governor was informed, hot water supply in Tchaikovsky had been non-existent from February through July 2009, which was regarded as the most blatant instance of the mayor's neglect in properly performing his duties. In all probability, in this particular case the reason for applying such a radical measure as a mayor's dismissal was that, in case of filing an appeal to a court of justice (which would have entailed a much lengthier procedure), there was a danger of the town entering the heating season next autumn not only without hot water supply but also without heating. The head of the town of Tchaikovsky, just as the mayor of Oziorsk had done, tried to dispute this decision in a court of justice, but without success. At the same time, the town residents, in spite of the evidently existing problems with the organization of the town's economy, took controversial views towards the decision concerning their mayor's dismissal. Anyway, at the subsequent municipal election it was another candidate, and not the one supported by the regional authority, who became the winner.

When analyzing the newly introduced provisions of legislation and the emerging law enforcement practice, experts note that 'the mechanism of dismissing heads of municipal formations as stipulated in Article 74.1 of Federal Law No 131-FZ, is riddled with many gaps and contradictions. The legal technicalities applied in the Article give rise to many questions and create many problems when they are being actually implemented ... An analysis of the emerging law enforcement practice demonstrates attempts to apply the dismissal mechanism in settling the score with an independent and self-sufficient head of a municipal formation'<sup>1</sup>. At the same time, after the first precedents that revealed both the legal and political drawbacks of this process, the practice of dismissals so far has not become widespread. And it is not clear just how actively this mechanism is going to be applied in the future.

In this connection, it should be noted that introduction of the amendment concerning a dismissal of a municipal formation's head did not put a stop to new 'loud cases' involving criminal prosecution of mayors – contrary to the hopes that had been nursed by the experts' community. The latest case – the initiation of two criminal suits against Nikolai Krasnikov,

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<sup>1</sup> Shugrina E. Udalenie glavy munitsipal'nogo obrazovaniya v otstavku: problemy zakonodatel'nogo regulirovaniya i pravoprimitel'naya praktika. [Dismissal of a municipal formation's head: the problems of legislative regulation and the law enforcement practice.] // Aktual'nye voprosy razvitiya mestnogo samoupravleniya v Rossii i za rubezhom. [The outstanding issues of the development of local self-government in Russia and abroad.] A collection of articles / Ed. A. V. Madiarova. E. Marquart, N. M. Mironov, L. V. Shapiro. M., 2009. Pp. 349, 359.

mayor of the ‘science city’ of Koltsovo, who was renowned for his achievements in the town’s development. The governor of Novosibirsk Oblast publicly spoke in the mayor’s defense, as did the Town Council deputies. Over a thousand of the town’s residents signed an appeal to President of the Russian Federation to take under his personal control the investigation of this case. In the appeal, it was stated directly that the mayor’s prosecution was linked to the political struggle going on in their town: ‘Perhaps someone wants to destroy the creative, development-oriented atmosphere in the settlement that has taken years to be developed, under the leadership of N. G. Krasnikov, by the personnel of the scientific and industrial enterprises and budget-funded organizations of Koltsovo. It seems that someone is beginning an election campaign in this way – by discrediting our head. Probably someone is excited by the prospects of Koltsovo’s development as a RF ‘science city’, by its biotechnopark and social projects’<sup>1</sup>. At the same time, the mass media noted the peculiar methods applied in collecting the incriminating evidence against the town’s head: ‘Trains are being blown up in this country while the state security staff roam through a small town in search of compromising evidence and urge the residents and the personnel of enterprises to provide information against their mayor’<sup>2</sup>. It is difficult to forecast the outcome of this situation. So far it is known that a Novosibirsk rayon court of justice rejected the petition filed by the mayor of Koltsovo in connection with the initiation of a second criminal case against him<sup>3</sup>.

The year 2009 also saw the continuation of the other trends (that had emerged in the preceding period) towards limiting the autonomy of local self-government and making it part of the vertical of authority. One of the most significant processes going on in that sphere is the more limited application of direct elections of heads of municipal formations. This is especially obvious in big cities. Thus, in 2009 direct elections were abolished in Samara, Stavropol, Riazan, Nizhniy Novgorod, Tumen, Perm, Kazan, Ufa, and Tver. In a majority of these cities, a model was adopted instead that most strongly restricted the ability of the population to influence the process of forming the bodies of local self-government: the city heads are elected from among the city council deputies, and a manager is hired under a contract to perform the functions of the head of the administration; the choice of a candidate for this latter post can be strongly influenced by regional authorities.

The trend of merging the system of local self-government with the vertical of authority also takes shape of the alterations being introduced in electoral legislation. As early as 2005, municipal formations were granted the right to introduce not only the majoritarian electoral system, but also mixed or purely proportional systems of municipal elections<sup>4</sup>. In April 2009, federal lawmakers went even further, by establishing a new procedure in accordance with

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<sup>1</sup> The appeal of more than 1,000 of Koltsovo’s residents to the RF President was posted to Koltsovo’s official website and published in the newspaper ‘Kompas’ of 26 November 2009; copies were sent to the governor of Novosibirsk Oblast, speaker of the Novosibirsk Oblast Council of Deputies and the regional prosecutor. *Source*: 1 December 2009, Taiga.info. <http://tayga.info/documents/2009/12/01/~94580>

<sup>2</sup> Samakhova I. Grazhdanskaia kazn’ mera naukograda (Irina Samakhova otpravliaet “SOS” iz Sibiri.) [‘Civil execution’ of the mayor of a ‘science city’ (Irina Samakhova sends “SOS” from Siberia)]. *Source*: 7 December 2009, Polit. Ru. <http://www.polit.ru/analytics/2009/12/07/sos.html>

<sup>3</sup> *Source*: 20 January 2010, TASS - Siberia

[http://www.itartass-sib.ru/index.php?option=com\\_content&view=article&id=15907-302.html](http://www.itartass-sib.ru/index.php?option=com_content&view=article&id=15907-302.html)

<sup>4</sup> The wording as of 21 July 2005, of Item 3 of Article 32 of Federal Law of 12 June 2002, No 67-FZ ‘On the Basic Guarantees of the Electoral Rights and the Right to Participate in a Referendum of Citizens of the Russian Federation’. It should be noted that, in the initial wording of this Law, candidates could be entered onto the electoral lists could be entered by electoral associations or electoral blocs.

which the lists of candidates during a municipal election applying a proportional system could be drawn only by the local sections of those political party that, in accordance with the federal law, had the right to participate in the election<sup>1</sup>. Previously, this right had been also enjoyed by the electoral blocs created during elections to local self-government institutions by public associations (public organizations or movements). Now those public associations that did not have the status of a political party can only suggest candidates to be placed on one or other party list, which should be done in the procedure established by the Federal Law 'On Political Parties'. As for the guarantees for those citizens who are not members of political parties or electoral associations to exercise their passive electoral rights, this issue has been transferred to the regional level<sup>2</sup>.

The policy adopted by subjects of the Federation with regard to this issue was by no means uniform. Some regions altogether eliminated the possibility of organizing municipal elections on the basis of party lists, which is, in fact, quite compatible with the essential meaning of local self-government's activity – to deal with the economic (and not political) issues of local life. However, some subjects of the Federation granted to the bodies of local self-government the right to set one of the three available electoral systems, including the proportional one, thus failing to comply with the requirements stipulated in federal legislation concerning the guarantees for citizens of exercising their passive electoral right. Thus there emerged possibilities for violating the constitutional rights of those citizens who were not members of political parties or electoral associations<sup>3</sup>.

In the autumn electoral campaign 2009, party elections began to be held both in big municipal formations and in small rural settlements. One example of the latter was the election held on 11 October 2009 in the rural settlement of Khomutinino in Cheliabinsk Oblast, whose regional legislation did not envisage the relevant guarantees for independent candidates. The settlement's population numbers only 1,400 (or 1,262 voters), and there had not been any active party cells for 20 years. Nevertheless, four parties – *Fair Russia*, the CPRF, *United Russia* and the LDPR – officially put forth their candidates there. Interestingly, the candidates from three out of the four parties worked at the sanatorium 'Ural'. Although the population of Khomutinino is far from numerous, since the onset of municipal reform the settlement had been plagued by conflicts between different groups of interests. One sign of this situation, among other things, was the voluntary election model that envisaged appointing a hired manager to the post of head of the local administration, which made it possible to achieve a compromise by inviting a candidate that suited all. Although with difficulty, the balance of interests could somehow be achieved also with regard to other issues. The adoption of the model of elections based on party lists resulted in the situation actually exploding, because thus a mechanism for a takeover of power by one of the local groups was created. This was the man-

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<sup>1</sup> The new wording as of 5 April 2009 of Item 3 of Article 32 of Federal Law of 12 June 2002, No 67-FZ 'On the Basic Guarantees of the Electoral Rights and the Right to Participate in a Referendum of Citizens of the Russian Federation' .

<sup>2</sup> In accordance with Item 3.1 of Article 32 of the Federal Law 'On the basic Guarantees ...' (as amended 21 July 2005), if it envisaged by the RF Constitution, charter or law of subject of the Federation that within the representative body of a municipal formation all deputy mandates are to be distributed between the lists of candidates in proportion to the number of votes, then the Law of a RF subject must envisage guarantees for the execution of their passive electoral right by those citizens who are not members of any political parties or electoral blocs and associations.

<sup>3</sup> As stipulated in Article 18 and 19 of the RF Constitution.

agement of the sanatorium 'Ural' (which provides employment to the majority of the village's adult population), who thus acquired a monopoly over its entire territory. The preparations for the election in Khomutinino were associated with many scandals (for example, CPRF veterans wrote an open letter to their leader asking him to remove the list of 'pseudo-Communists'). As proved by the available information, the process of forming that rural settlement's representative body on the basis of party lists was too protracted, so that the residents of Khomutinino are not yet acquainted with all the deputies who are representing their interests in the reputedly elected body of local self-government.

The situation in Khomutinino actually mirrored the general atmosphere typical of the municipal elections held on 11 October 2009. The press referred to numerous facts of the results of elections being distorted, from placing insurmountable administrative barriers in the way of the registration of candidates who did not belong to United Russia to the rigging of the results of voting. A number of criminal proceedings were initiated. However, at present we know only one instance when the results of municipal elections were annulled. On 4 December 2009, the Derbent City Court of Justice annulled the ballot results obtained during the election of the city mayor where, according to the official results, the winner was the current head of the municipal formation. The list of violations committed there includes an unlawful refusal to register candidates; pressure on candidates in order to make them remove their names from the electoral lists; the inclusion in the election commissions of persons affiliated with the city head; unlawful issuance of ballots for early voting; computation of votes in absence of the members of electoral commissions with decisive votes and observers, etc. On the election day, 13 polling stations were closed, and another 12 operated intermittently.

Even after the 11 October elections, electoral legislation underwent some new changes that envisaged further centralization of municipal elections. In late December 2009, *United Russia's* initiative that the role of parties in regional electoral commissions during the setting-up of municipal electoral commission should be made more prominent was supported by the State Duma. Previously, the electoral commissions of a municipal formation were formed by its representative body on the basis of proposals submitted by those political parties that had put forth federal lists of candidates with deputy mandates; the proposals submitted by voter meetings held at their places of residence, employment, studying; and the proposals submitted by the previous electoral commission of the municipal formation or the electoral commission of subject of the Russian Federation. The settlement's electoral commission was formed on the basis of proposals submitted by the electoral commission of the municipal rayon. Now, one half of the municipal electoral commission is formed by the Oblast electoral commission, while the other half – by those parties that have been granted access to the distribution of mandates to representative bodies of authority. The number of members constituting the municipal electoral commissions has been increased approximately by one-and-a-half. Thus, the electoral commission of a municipal rayon, a city okrug, or an urban territorial unit within a city of federal importance now consists of eight, ten or twelve members with the right of decisive votes. The electoral commission of a settlement consists of six, eight or ten members with decisive votes.

An analysis of the current development of the situation in the sphere of local self-government in 2009 has led to the following conclusions. Over that year, the trend of municipal 'counter-reform' was becoming stronger, aiming towards a deeper merger of local self-government with the 'vertical of authority', further restrictions of citizens' opportunities to influence the performance of bodies of local self-government and to exercise control over

their activity. Over 2009, one could observe both the continuation of the anti-reforming trends that had emerged in the previous years and also new steps in that direction. The main developments were the introduction of a new amendment to municipal legislation concerning the dismissal of heads of municipal formations and the abolition of referendums as a mandatory requirement when making a decision concerning mergers of settlements. At the same time, the toughening of the legislative provisions aimed at liquidating all autonomy of local self-government did not result in diminishing the pressure on local authorities exerted in the form of force methods: criminal persecution, ballot rigging during elections, etc.