

GAIDAR INSTITUTE FOR ECONOMIC POLICY

RUSSIAN ECONOMY IN 2015
TRENDS AND OUTLOOKS
(ISSUE 37)

Gaidar Institute
Publishers
Moscow / 2016

UDC 33(470+571)(066)"2015"
BBC 65.9(2Poc)

R95 **Russian Economy in 2015. Trends and Outlooks. (Issue 37) /**
[V. Mau at al; ed S. Sinelnikov-Murylev (editor-in-chief), A. Radygin];
M.: Gaidar Institute Publishers, 2016. 440 pp. – ISBN 978-5-93255-459-3

The review provides a detailed analysis of main trends in Russia's economy in 2015. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; 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.

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ISBN 978-5-93255-459-3

□ Gaidar Institute, 2016

**Local self-government in the North Caucasus: alterations
in regional
legislation as risk triggers¹**

One of the vectors of change in the North Caucasus in 2015 was the abolition of direct popular vote in the elections of heads of municipal formations. Very few of the municipal districts, urban districts, urban-type and rural settlements across the North Caucasus are still applying the system of forming the bodies of local self-government (LSG) that envisages that the head of a given administrative entity should be elected by direct popular vote. The most drastic changes in this respect occurred in 2015 in the Republic of Dagestan, where new legislation was adopted whereby a uniform method for forming the bodies of LSG was introduced for the entire region, when only the deputies of rural settlement and urban district assemblies are elected directly by popular vote. That region can serve as an illustration of how the ‘rolling back’ of direct popular elections to LSG is fraught with significant risks, and so cannot be regarded as a stabilizing factor.

The process of changing the municipal administration system aimed at the unification of methods of forming the bodies of LSG without direct popular election of district heads was launched after the approval, by the People’s Assembly of the region, of Law of the Republic of Dagestan of 16 September 2014, No 67 ‘On the Procedure for the Formation of the Representative Bodies of Municipal Districts of the Republic of Dagestan and for the Election of the Heads of Municipal Formations of the Republic of Dagestan’. By that law, direct popular elections were abolished in all the municipalities across the republic’s territory². Then, by Law of the Republic of Dagestan of 16 March 2015, No 26 ‘On the Introduction of Alterations to Article 2 of the Law of the Republic of Dagestan ‘On the Procedure for the Formation of the Representative Bodies of Municipal Districts of the Republic of Dagestan and for the Election of the Heads of Municipal Formations of the Republic of Dagestan’, a single procedure for the formation of local self-government bodies was introduced for the entire region, which envisaged that the heads of the administrative bodies of municipal formations should be elected through contest. In accordance with that law, heads of districts and towns are to be elected by the assemblies of rural districts and towns, whose members, in their turn, are selected from among the deputies of the assemblies of rural settlements or urban districts. The assemblies of rural districts and towns may also include the administration heads of rural settlements or urban districts elected to their posts through contest. It should be noted that the last provision of the regional law is made disputable by the Ruling of the Constitutional Court of the Russian Federation of 1 December 2015, which states that Federal Law of 6 October 2003, No 131-FZ ‘On the General Principles of the Organization of Local Self-government in the Russian Federation’ does not

¹ Author of this section: Kazenin K. – RANEPА.

² It should be noted that, according to observers, the hasty adoption of this law was determined by the entry into force of the verdict in the criminal case of Mayor of Makhachkala Said D. Amirov: in order to avoid direct popular election of mayor of Dagestan’s capital, the republican authorities had had to legislatively alter the procedure for the formation of LSG bodies before Amirov was officially convicted.

envisage that the representative body of a municipal district should include the heads of settlements elected by the representative bodies of the corresponding settlements from among the candidates presented by a contest commission in accordance with the results of a contest. Some of the innovations introduced by the new laws have to do with Dagestan's capital Makhachkala, where three urban districts were set up, and it was established that the deputies of the assemblies of these urban districts should elect, from among themselves, the deputies to the city assembly to participate in the procedure of electing the city mayor.

The republic's new legislation was applied in the municipal elections on 13 September 2015. On that day, Dagestan held elections to five town assemblies, to the district assemblies of the city of Makhachkala, and to the assemblies of deputies in all the rural settlements across 37 municipal districts. After the elections, the town assemblies launched the process of appointing through contest the heads of urban administrative bodies, while the assemblies of deputies in rural settlements and the district assemblies of cities and towns began to elect, from among themselves, the deputies to rural district assemblies or town/city assemblies. The latter, in their turn, were to take part, at a later stage, in the appointment through contest of the heads of administrative bodies of their rural districts or towns.

As of the end of 2015, the process of forming the bodies of local self-government in accordance with the new procedure had still not been completed in some of the municipal and urban districts. However, the progress of that campaign as a whole has led to a number of conclusions as to the consequences of the changes in the region's LSG system. *The main consequences* may be summed up as follows:

1. There was a further decline in the personnel stability in the system of local self-government. In a number of Dagestan's towns, for the period until the head of a town was elected through contest, the Head of Dagestan appointed an acting head thereof. In conditions when the decision on the candidacy for head of a town is rendered by a contest commission, where the regional authorities have considerable powers, the appointment, by the decree of the region's head, of one or other official to the position of acting head of a town, there is a high probability that this official will be supported by the regional authorities in the framework of the contest commission. Accordingly, each of the appointed acting heads of towns was always seen as a *de facto* head of the corresponding town whose appointment to this position was practically guaranteed. The appointee would then begin reappointments to positions controlled by the urban self-government, local businesses would begin establishing informal relations with him... and then suddenly he would be replaced as acting head of the town by another official. It is obvious that this situation inevitably resulted in an unpredictable situation at the municipal level. If the heads of towns were to be elected by popular vote, such destabilizing scenarios would be far less possible because nobody's election to this post would be seen in advance as guaranteed and predetermined.
2. The opponents of the elected district and urban administrations have got a good reason for claiming that their election was illegitimate because the urban or district assemblies that elected them included the heads of village or urban district administrations, who had been elected through contest, which, according to the RF Constitutional Court, is not envisaged by federal legislation. Such claims have already been made, which adds a new element of instability into the LSG system.
3. Some difficulties are associated with the distribution of powers between town and urban districts administrations. As far as the city of Makhachkala is concerned, by the end of 2015 the republic's normative acts had been adopted, whereby the distribution of tax-generated and non-tax revenues between the city budget and the budgets of the urban districts inside

a city are regulated. However, no normative acts to regulate the distribution of property between the bodies of local self-government at the city and district levels were adopted. No uniform approach have been elaborated, to be relied upon in preparing such normative acts. The general uncertainty of the municipal property issue is by no means the only negative feature of the current state of affairs. At present, a number of land disputes have remained unresolved in the territory of Makhachkala; one of the sides in that conflict is represented by the residents of those rural settlements that became part of the city in the last years of the Soviet era or after the collapse of the USSR. The conflict has arisen because the residents demand the allotment to them, for private housing construction, of those plots of land that had been assigned to the settlements to be used as agricultural land before each of the settlements was included in the city territory. Some of these conflicts are very acute, and have a political resonance at the regional level. At present, there is a risk that tensions related to these conflicts may increase due to the stalemate situation, when lands ownership rights are not delineated between the district and urban self-governments, and so the residents of settlements have nobody to apply to in search of a solution.

4. The perpetually present risks of violence in the struggle for influence in the municipalities. One of the examples of this phenomenon is the situation in the town of Buinaksk (63,000 residents), where the town assembly election in September 2015 was won by the opponents of the then head of this town. After all attempts to reach a compromise over the candidature of head of the town turned out to be fruitless, the conflict of interests spilled over into the streets, where a series of non-sanctioned rallies took place with the participation of 'opposition' deputies. In the course of these rallies, demonstrators repeatedly clashed with law enforcers. It can be said with confidence that the main argument against heads of municipal formations being elected by direct popular election – the risk of violent incidents and the risk of general destabilization accompanying such elections – has proven groundless, because such risks have remained high in the course of the struggle for power in the municipalities in spite of cancellation of direct popular vote.

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Thus, the example of the Republic of Dagestan shows that the changes in the system of LSG formation introduced in 2015 in the republics of North Caucasus are not conducive to the achievement of the goals set by the initiators of those changes - namely, the strengthening of the socio-political stability at the municipal level, and the minimization of the risks of violent confrontations and manifestations of extremism in the course of struggle for seats in LSG bodies. As a matter of fact, the first experience of LSG-bodies formation under the new system was far from being devoid of conflicts between contenders for positions in LSG. Moreover, it exerted a negative impact on the course of a number of conflicts that were not directly related to local self-government. On the whole, last year has shown that the trend towards decreasing the role of direct popular vote in LSG formation in the North Caucasus is fraught with negative consequences.