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This publication is aimed at studying the modification of institutions of regional state power in the Russian Federation and its influence on the investment climate in the regions, including regional peculiarities of the investment climate and predictability of the policy of regional authorities headed by appointed governors. Examples of political confrontation between regional and provincial authorities in Canada allow us to illustrate the influence of normal federative democracy on business environment.

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Introduction

2005 became the first year of performance for the new administrative system in Russia. This system was the result of the federative relations reform (mainly, replacement of electing governors with their appointment¹ and cancellation of elections in constituencies to the State Duma).

This period allows us to analyze the first outcome of the new system performance and demonstrate the first reform results on the performance of both regional and federal officials. First observations over the development of legislation, legal practice and political life in the regions permit us to evaluate the influence of the new norms on the transparency of the government and business environment.

This project will continue CEPRA research, which was started in 2001–2002 and related to the formal analysis and comparative description of the institutions in the Russian regions (courts, mass media, NGO, etc.) and research started in 2004, which was dedicated to the analysis of mechanisms and incentives for import of institutions by the regions.

The subjects of the report analysis is:

- the dynamics of institutional environment in the Russian regions, focusing on the states before and after the administrative reform;
- experience of the most successful countries with transition economies and Canada of solving political and economic contradictions between different levels of government with the minimization of the negative effect for the investment climate.

Available data demonstrates that over passed year peoples confidence in the court system and law enforcement agencies did not increase. The vast majority of the appointed governors represent already acting governors, who very often could not be elected for another term. This fact undermines arguments of the fathers of the reform who stated

¹ See Federal law of 11 December 2004 No. 159-FZ “On Introducing Changes in the Federal Law ‘On the General Principles of Organization of Legislative (Representative) and Executive Bodies of Government of the Subjects of the Russian Federation’ and in the Federal Law ‘On Main Guarantees of the Voting Right of the Citizens of the Russian Federation’, and Presidential Decree of 9 March 2004 No. 314 ‘On the system and Structure of the Federal Bodies of Executive Power’”.

that elected governors were not qualified for the job and their moral qualities were very low. They insisted on the need to increase the efficiency of the legal system with the help of “strengthening administrative vertical”.

Passed year also provides possibilities to verify suspicions of those who opposed changing the legislation about undermining incentives of the regional authorities to provide quality public goods to the population.

Thus, although changes in the legislation did not have major effect, they as an experiment gave substance for comparative analysis and created demand (although postponed till the energy price fall) on policy advice on improving the situation (even the federal authorities are dissatisfied with the situation, although they proposed the system of nominating candidates for a governor proposed by a party, which won the elections in the regional legislative assembly).

Research is aimed at demonstrating the influence proceeding from the change, which is taking place in the system of the regional government bodies in the Russian Federation, as well as on the investment climate in the regions including regional differences (in case they remain) in the investment climate and predictability of regional authorities policy headed by appointed governors.

1. The Problem State

The study “Political and Legal Sources of Investment Risks in the Russian Regions” (by *V. Mau, S. Zhavoronkov, K. Yanovskiy et al., 2002*) addresses different approaches to determining the sources of political and legal investment risks, as well as the associated factors of economic growth. The approach based only on distinguishing the economic freedoms and property guarantees has been augmented by including the indices that reflect the situation that exists in the sphere of basic human rights, which are associated primarily with the guarantees of the inviolability of the person, as well as the population’s demand for such institutes.

The results obtained in course of this study, indicative of the significant ways in which the guarantees of rights and liberties influence the entrepreneurial climate, have demonstrated the great importance of the individual assessments of risks in the decision-making concerning investments.

In this connection, the significance and explanatory capacities of independent variables was increasing noticeably in certain combinations. The combination “judicial protection of the inviolability of the person – activity of human rights organizations” (outside which the judicial statistical data were found to be statistically insignificant with the 95% interval) could provide explanations for up to 16% of the variations of the employment dynamics index in the sphere of small-size businesses. Even more efficient (with the explanatory capacity of up to 31%) was the combination of the judicial statistics of punishments applied for crimes against justice (unlawful detainment, falsified evidence, etc.) with the freedom of speech rating for the year 2000 in providing explanations as to the share of employment in small-size businesses in 2001 in Russian regions.

Vast literature is devoted to the analysis of the institutes of federalism, and even a brief overview of the latter would go beyond the framework of the present study. We should note only such key characteristics of the institutes of federalism as the possibility of interregional competition between the institutions and politics of regional authorities, and also their ability to alter – both in the positive and negative direction –

the law enforcement practices and reforms carried out by the federal authorities in the legal and law-enforcement context of a region.

In order for the system to be developing along exactly such lines, it is necessary to guarantee the existence of the rule of law regime. Thus, the decentralized system of government increases efficiency in the course of observing the following important and sufficient demands of market federalism (*Weingast 1995; Montinola, Qian, and Weingast 1995*):

- considerable regulatory duties are delegated to subnational governments;
- intergovernmental regional and regional-federal relations are based on the procedures prescribed by the law and are isolated from political influences in such a way that regional governments become subjected to rigid budget constraints and are forced to operate within their framework (the constraints imposed on the actions of subnational governments coordinate local politics and prevent the consequences of one-move games, similar to a prisoner's dilemma);
- the common market is preserved in such a way that goods and production factors can move freely throughout the whole country;
- both power and the liabilities are divided between the levels of government on a stable and reliable basis (so as to inspire confidence on the part of market agents).

According to Qian and Roland (*Qian and Roland 1998*), the significance of any efforts being made by regional authorities and regional legislation in order to improve the investment attractiveness of a country as a whole is negligible. But, at the same time, the importance of this factor is very significant for the distribution of investments between the regions. As indicated by our studies undertaken in the years 2001 and 2002, the significance of an efficient regional authority based on the voter's choice, is higher in a country with the economy in transition than under conditions of a stable legal democracy.

It is true that in the 1990s Russia experienced a sequence of radical reforms and deep crises. And while the reforms were more frequently impeded rather than supported at the regional level, the crises were undoubtedly endured there with more ease, owing to the "redistribution of the burden" between the regions and the center. Both at the national

and at the regional level the voter was forced to share the responsibility (at least to a certain extent) for what was going on, which increased the political stability of the system.

Buchanan and Congleton² single out one more important condition for federalism to be efficient: the possibility to achieve different standards, within the framework of one state, in respect to the provision of some social services (this inequality is actively fought against, for example, in Canada and Germany).

In their study concerned with regional institutional specificities, *Yanovskiy, Zhavoronkov and Chernyi 2001* analyze, in particular, tax benefits, singling out the benefits established by decisions of regional legislative authorities and (this latter practice being rather widespread) by the decisions of the head of an executive authority. Alongside a governor's ability to pass such decisions through "his own" legislative assembly, such powers become both a means to extract the administrative rent and a means to secure the prolongation of a governor's term in office. The influence of such powers (the imposition of taxes by the monarchs' decisions) on the long-term conditions for economic growth in Europe is written about by T. Eggertsson in his prominent overview of neoinstitutional theory³.

The conditions under which decentralization (in this case – fiscal decentralization) turns out to be efficient are focused on in the work by *R. Enikolopov and E. Zhuravskaya 2003*. The authors have come to the conclusion that strong political parties and the direct subordination of subordinate bodies to superior ones can exert positive influence on the course of financial decentralization in the developing countries. It should be noted, however, that the sample includes, alongside truly democratic countries (the Czech Republic, Hungary, Israel), also the countries where blatantly falsified elections are a common practice, such as Azerbaijan and a number of African countries, as well as China. The sample comprises the countries which are incompatible in principle. In some countries (democratic and legal), political parties represent an institute which reduces the voters' costs of collecting information on the candidates, and the candidates' costs of delivering this information to the voters. In other countries, political parties primarily re-

² *Buchanan, Conglenton, 1998.*

³ *Eggertsson, 2001, pp. 364–371.*

duce the costs of organizing direct confrontations with their opponents. And finally, in totalitarian countries (the Chinese version), there are no political parties at all (to class the CPC with the strong parties would be simply ridiculous – the authors measure the strength of a party system by the period of existence of the major political parties and by the fractionalization of the governing parties). The choice of such a sample seriously reduces the explanatory capability of the model and puts under question the validity of the authors' conclusions.

As is noted in S. Shulgin's dissertation (2006), the generation of governors who came to power in the regions in the late 1980s – early 1990s, which marked the watershed between the Soviet period and the beginning of reforms, sustained heavy losses as a result of the 1994–98 election. But, starting from the late 1990s (that is, in the 1999–2001 elections), the incumbent governors, as a rule, have been renewing their mandates. It is these persons who still form the core of Russian governors nowadays.

The study by *Yegorov, Guriev and Sonin 2006* is devoted to the analysis of the ability of a government (in this case an authoritarian one) to conduct efficient governance (2006). The authors emphasize that the choice between the natural mechanism for checking information and its artificial state substitutes is of vital importance for the majority of contemporary rulers. Especially worth mentioning is the authors' generally successful attempt to reflect in their model the situation when the authorities are capable to redeem themselves, by means of a rent, from the ever growing problems they are faced with, which is typical of a number of post – Soviet countries and, first of all, of Russia.

The model considered by the authors in Chapters 2 and 3 (theoretical analysis) does not seem to be comprehensive, to say the least.

Thus, the authors do not take into consideration the important independent value, for an authoritarian ruler, of eradicating the freedom of speech. Apart from breaking down the mechanism for coordinating opposition activity, this eradication manifests itself in propaganda which is necessary for the stabilization and legitimization of the regime. The contemporary Russian state uses the main TV channels exactly for the purpose of propaganda, and in so doing encounters a problem familiar from Soviet times. The conversion of the mass media into an exclusively propaganda apparatus can solve, for a time being, some problems of

stabilizing the regime, but at the expense of the informational function. As a result, the leadership's own propaganda images start to compete for their attention with the crumbs of actual information (*Bendukidze 07.11.2006*).

When the authorities do not have any instrument for checking the administrative sources of information, these sources obtain a stimulus for falsifying such information in order to present themselves in favorable light and to pull the resources over to themselves (Niskanen), or to convince the bosses in their loyalty. However, this also represents a somewhat different system of stimuli for the agents (the dictator, the special services, and the bureaucrat).

It is less risky for the corrupt employees of the special services (*V. Volkov 2002; see, for example, pp. 245–249*) to make money through protection racket (that is, formally, by protecting the “clients” from illegal influences, than by extracting the rent from fulfilling their control functions as such). And they collect their rent directly from economic subjects, and not indirectly, via other bureaucrats. However, it should be noted that the mechanism for rent extraction is undoubtedly less important in itself than the consequences of losing the channel of reliable information for the taking of adequate decisions.

It is also necessary to take into account that for a rational leader, the criterion of efficiency, at least within the framework of the basic assumptions of the theory of public choice, is, ultimately, the prolongation of the period of his staying in power, and not the quality or the volume of provided social benefits.

In those societies where the authority of the regime is based on the rule of force (see *Mau et al. 2003*), the concept of the State being the provider of public benefits is almost irrelevant. In this case, the State is an analogue of what the Mongol Chan was for Mediaeval Russia. The Chan is to be paid off, time and again, by tribute (but nobody in his right mind would dare to demand from him any protection from other roving bandits or the performance of the function of a court of appeal, etc. (see *V. Mau 2006*).

The authors' major idea concerning the relationship between the freedom of speech and the informational efficiency of the alternative “special” channels, on the one hand, and the decline in the “sensitivity” and efficiency of the authorities obtaining a high centralized rent for the

extraction of natural resources (it is relatively easy to control a pipe line in contrast to nonferrous metals or fisheries), on the other, has found a sound confirmation in the statistical analysis based on the data on 121 countries. The statistical verification is not linked to any specific model describing the behavior of agents, with specific assumptions, which increases the “viability” of e results and conclusions.

2. Statistical Analysis of the Disappearing Distinctions

2.1. A Comparison with the Methodology of the 2001–2002 Projects

At the previous stage of the project⁴, the dependence of the regions' state of economy on various political and economic indices was examined by applying regression analysis in combination with factor analysis in order to select, from a large number of variables, a relatively small number of major explanatory factors. In the present work (for further details concerning the methodology applied, see below), it was decided that factor analysis should be used no more, the reasons for which were as follows.

On the one hand, the singling out of major components (when the latter can be indisputably interpreted) helps to select, from among a large number of variables, a limited number of factors which can be subsequently used within the framework of regression analysis. The lesser is the number of observations in the initial sample, the more important becomes this possibility. As the number of observations in this situation has been relatively small (78), this approach seems to be quite acceptable for purposes of getting rid of redundant variables.

On the other hand, apart from the above-mentioned advantages, the preliminary selection of variables by means of factor analysis has a number of considerable drawbacks. The major disadvantage is the difficulty of interpreting the obtained results. Even when it becomes clear as to which specific variables have made a major contribution to a certain factor, there still remains the problem of interpretation.

This drawback can be most vividly illustrated by the example of the methodology applied in our previous work. Then, regression analysis was performed on the basis of 9 major factors, obtained by means of factor analysis. In particular, when analyzing the relationships between economic growth in the regions and various political and economic factors, the second factor was interpreted as that representing the index of independence of the mass media in a region, while the tenth factor – as an index of the existing situation in terms of the protection of human

⁴ See Mau et al, "Politicheskie i pravovye istochniki riskov v rossiiskikh regionakh" (The political and legal sources of risks in Russian regions), Moscow, 2002.

rights and the presence of individual tax benefits⁵. It is apparent that the interpretation of the tenth factor on the basis of the most significant factors included in the latter has turned out to be rather vague. But the greatest problem, so far as this example is concerned, is the “price” to be paid for the achievement of the formal orthogonality (or linear independence) of the major components. By their construction, the applied factors are orthogonal. Together with the suggested interpretation, this directly leads to the conclusion that the “independence of the mass media” (major component 3) and the activity of human right organizations (major component 2) are not correlated. But it is evident that in reality these two indices are indeed correlated. Thus, the suggested interpretation of the said factors is contrary to the actual state of affairs, which, in its turn, casts certain doubt onto the results of the subsequently performed regression analysis.

As mentioned above, the problems of interpretation are not the only drawback of factor analysis. Among other drawbacks, one should point to the “wrong criterion of selection”. In fact, in the case of regression analysis, the explanatory variables are selected (among other things) by their greater explanatory capability with regard to the *dependent variable* (that is, all other factors being equal, the regression where the value of R^2 is higher will be preferable). At the same time, factor analysis selects major factors on the basis of the best explanation of the *independent variables’* dispersion. Since the factor analysis was based on a wrong criterion when the factors were being selected, the final regression will include wrong variables.

Bearing in mind the afore – said considerations, it was decided that the sphere of application of factor analysis should be restricted.

2.2. The Description of the Methodology

In this work, the examination of statistical dependencies was based on a multi-dimensional regression analysis. In particular, the procedure of performing the following regression equation is postulated:

$$y_i = x_i' \beta + e_i$$

⁵ Ibid., pp.11–12.

where x_i is the vector column of explanatory variables, y_i –dependent variable, e_i –shock, with $E[e_i|x_i]=0$. In particular, no conditional homoscedasticity is suggested in the model.

For assessing the vector of coefficients β the least square procedure was applied, while for obtaining standard errors and, for testing the hypotheses, the asymptotic approach was applied with the use of the robust appraisal of the asymptotic dispersion matrix in White's form. Because of the small number of observations (76–78), the asymptotic approach might not be able to produce adequate results for some equations, owing to the inadequate approximation, by theoretical analogues, of the distributions of the statistical data we are interested in. Therefore, in addition to the results of asymptotic inference, the p -values obtained with the help of the bootstrap approach are also presented. To be more precise, the module of t -statistics was bootstrapped for a corresponding regression coefficient by means of the so-called "wild bootstrap"⁶. We applied the regular asymptotic approach applied for the cases with restricted set of independent variables. We imposed some restrictions for these cases initially by reasons of logical and economic nature of the phenomenon.

For selecting the regressors, the following procedure was used. Initially, the regression equation included all the available explanatory variables, which were subsequently excluded one by one on the basis of their degrees of significance. The process went on until each of the remaining variables was no more significant at the 10% level. This level of significance was chosen, firstly, because the number of observations was small, and secondly, in the course of the further exclusion of the variables (for example, to the 5% level of significance), the informational criteria (AIC and BIC) began to increase, which testifies to a substantial loss of information in the course of the exclusion of these variables.

Apart from this, in order to test their joint significance within the regression equation, the Wald test was carried out in respect to the groups of variables which were of interest to us. For each of the final regressions, the index of the quality of fitting (the adjusted R^2) was pre-

⁶ See. Liu. R.Y., "Bootstrap procedures under some non-i.i.d. models", *Annals of Statistics*, 16, 1988, pp.1696–1708.

sented. All the calculations were done in the EViews 4.1 and GAUSS 6 (bootstrap) packages.

In order to guarantee the compatibility with the results of the calculations from the years 2001–2002, the independent variables, which were frequently (and not always in a clear way) linearly dependent on one another, were “grouped” into major components.

Unlike the previous project, the project under consideration was to be to a higher degree focused on the substantial political and economic relationships existing between the variables, which may fall far short of being direct.

Thus, it would be quite reasonable to expect that there does exist some relationship between the indices of wellbeing with the indices of business climate, which, in their turn, relate to the indices that characterize the qualities of the institutes in the regions and the demand for some or other institutes (the institutional packages offered by political parties at the time of elections) displayed by economic agents. It means that, at different stages, some of the variables are dealt with and applied as those being dependent (explained), and then as independent ones.

2.3. The Tested Hypotheses

In course of the project, we attempted to estimate the influence on the business climate of tax privileges and trade barriers. We also tested the hypotheses as to the existence of any influence of the budget policies being implemented in a region (regional budget expenditure, budget deficit) on the business climate.

In their turn, budget expenditure and budget deficit were tested for the existence of any connection to the number of civil servants in a region (in a way, it was a test of Niskanen’s hypothesis concerning the maximization by bureaucracy of the resources being distributed).

Both common sense and the results of the projects implemented in the years 2001–2002 and addressing factors influencing economic growth and the business climate have led us to the testing of the hypothesis as to the dependence of employment (or its dynamics) in the sphere of small-size business on political and legal risks. We tested, just as we had done five years previously, the influence of the business climate of the ability of the legal system to protect itself from direct en-

croachments (or crimes against justice) and to protect citizens from crimes against human rights. The statistical data on sentences pronounced under the corresponding articles in the year 2004 have shown that this ability is rather restricted and compatible with both the statements made by human rights activists that there exists no control over law-enforcement agencies on the part of society and the guarded attitude of society itself to its “defenders against crime”. We attempted to assess society’s ability to protect citizens’ rights through the activities of human rights organizations and the independent press (see below).

Since we knew from the interviews with entrepreneurs and civil servants that in recent years big businesses sometimes have resorted to the practice of transferring their assets to formally independent small-size companies, we also tested the hypothesis of the existence of a correlation between the dynamics of employment in small-size business and the number of known conflicts with big businesses in regions.

Also, as a measure against potential “contamination” of the index of employment in small-size businesses, we tested theoretically the index of employment at second jobs and employment on temporary contracts, which is complementary to the index of main employment.

As in the previous projects, the statistical connection was tested between the investment climate indices and electoral statistics, which we attempted to interpret, as before, as an index of the population’s demand for some or other institutional packages – both friendly and hostile to business.

Both main indices of the business climate in regions – foreign direct investments and employment in small-size businesses – were tested for the presence of any connections with the same index of the year 2002. In all respects, this factor was found to be obviously the most significant one. Foreign investors also may, when making decisions, be guided by the entrepreneurial activity of local businesses. Low activity and withdrawal of businesses or capital outflow is an index of the existence of an unfavorable situation for a foreign investor (with the exception of those investors who are strongly inclined toward risky enterprises, e. g., based on friendly relations with key officials).

And finally, we tested the dependence of a number of indices reflecting the levels of incomes, consumption and welfare in regions on budget expenditure and the indices of the business climate.

So, the tested hypotheses is:

Budget expenditure and budget deficit can be explained through the number of civil servants with a vested interest in expenditure growth (Niskanen's bureaucracy model).

Budget expenditure and budget deficit may influence the business climate and also have a direct impact on the population's incomes.

The ability of a legal system and society to protect themselves from crimes against justice and from crimes against human rights, respectively, and the level of activity of human rights organizations (when they win cases in courts of justice), may all lower the existing risks for business activity and improve the business climate.

Electoral behavior (the support, by a region's population, of either pro-market or anti-market parties, and consequently, the support of respective institutes) may influence the business climate in a region.

Under conditions when the independence of courts of justice is being restricted, the centralization of law-enforcement agencies is increasing, elections of heads of regions' executive authorities have been abolished, the presence of the opposition-minded mass media is diminishing, followed by lowering competitiveness on regional media markets, and numerous restrictions are being imposed on political competition during elections, the diversity of regional institutes is decreasing, together with the significance of a majority of institutional variables.

The dynamics and level of welfare indices in a region may be significantly dependent on the business climate (that is, on employment opportunities and the opportunities for starting one's own business).

2.4. Data

Invoked for analyzing were the data of judicial statistics for the year 2004 (subdivided by region), the formalized data of the work of independent mass medias and human rights organizations in Russian regions, regional legislation, law enforcement practices, and also the data concerning the stability of political power and the data on the conflicts between the authorities of different levels as reflected in mass media. The indicators characterizing the development of small businesses and direct foreign investments were taken from the existing collections of official socio-economic statistics. The data on the execution of regional

budgets were obtained from the official website of the RF Federal Treasury.

The explained variables were taken from the collections of official socio-economic statistics (concerning the employment of people).

Chechnia and the autonomous okrugs were excluded from the analysis, because the set of data necessary for an adequate analysis to be performed (first of all, those relating to socio-economic statistics) was not available as regards these territories.

Table 1⁷

Description of variables, with designations applied

Designation of variable	Description of variable
1	2
Small_b_empl_dynam2004_2000	Relation between average number of persons employed at small businesses and the level of the year 2000
small_b_free_lance_dynam	Relation between average number of persons holding several jobs, employed at small businesses and the level of the year 2000.
small_b_outsourcing_dyna	Relation between average number of persons employed, in 2004, at small businesses on contracts of civil-law character and the level of the year 2000
SMB2004_per1000	Average number of persons employed at small businesses in 2004
SMBEmpi01	Average number of persons employed at small businesses in 2004
FDI05	Foreign direct investments in 2005
FDI01	Foreign direct investments in 2001
RoL_violat04	Number of sentences, delivered in 2004, under Criminal Code's articles envisaging punishments for crimes against legal system
Privacyviol04	Number of sentences under Criminal Code's articles envisaging punishments for interference in private life, tapping private telephone conversations, screening of correspondence, etc
HROpr	Presence, in the region, of human rights organizations with public reception offices and / or websites, 2005–2006
HROactCourt	Existence of law cases won by human rights organizations or won with their participation (assistance), 2005–2006
HROnet2006	Existence of a network of specialized public organizations, 2005–2006
Opp_media_2006	Presence of non – communist mass media criticizing the head of a region and federal authorities and blaming them of criminal incompetence, which is dangerous for the health of residents, immorality or misdeeds punishable under criminal law, 2006
REG_OFFIC_PER1000	Number, in a region, of public servants of a subject of the Federation, per 1000 residents, in 2005

⁷For the Project's Table of Variables, see *Appendix*.

1	2
GEN_GOVFFICPER1000	Total number, in a region, of public servants and municipal employees per 1000 residents, in 2005
BUDGET_DEFICITE_2004	Relation between the deficit of the executed 2004 budget of a region and total expenditure
BUDGET_DEFICITE_2005	Relation between the deficit of the executed 2005 budget and total expenditure
Electoral variables observed during 2003 and 2004 elections	
Turnout2003, Edro2003, CPRF2003, LDPR2003, Rodina2003, Yabloko2003, SPS2003 (SY2003), AgainstAll2003, Turnout2004, Putin2004, Kharitonov2004, Glaziev2004, Khakamada2004, AgainstAll2004	Correspondingly: Electoral activity in December 2003, United Russia, CPRF, LDPR, Rodina, Yabloko, SPS (in some cases, SPS in alliance with Yabloko), voting against all candidate parties at the Duma elections in 2003; Participation in 2004 elections, share of votes cast for Putin, Kharitonov, Glaziev, Khakamada, and against all candidates in 2004 Correspondingly: Electoral activity in December 2003
EI99right	Electoral support for the right - wing and liberal's electoral rolls
EI99extrem	Electoral support for the extremists' electoral rolls
EI99confirm	Electoral support for the social-democrats' and other non-communists' (conformists') electoral rolls
Conflicts_reg	Conflicts between the levels (or branches) of power in a region after 2002
governor_changed	Replacement of a governor (after 2001)
Business_underattack	Attacks on large business (incarceration of an entrepreneur, closure of a business, or a lengthy – for more than a month – stoppage of a business due to the conduct of “checks”, investigations, etc)
federal_pressure_vs_business	Same thing, but apparently on the initiative of the federal authorities (YUKos, Sakhalin)
G_Spendin2005_pc	A regional budget's per capita expenditure in 2005
Salarbrut05	Average wages (before taxes)
Mobilper1000	Number of mobile phones per 1000 residents
Dummy_Rent_Geo	Dummy on a region's geographical rent
Dummy_Rent_Nat	Dummy on a region's rent for the use of natural resources
Carsper1000	Number of motor cars per 1000 residents

Note: All the indices are expressed either in per cent or standardized in accordance with the size of a region's population. The major approaches to selecting the variables are adopted from the work devoted to analyzing the sources of legal and political risks in the Russian regions (2002).

2.5. The Main Results of Statistical Analysis

As is shown by the results of the conducted statistical analysis (including the major stages of the estimations presented in the *Annex 1*), the hypothesis for the decrease in the significance of institutional factors cannot be rejected.

As early as at the first stage of analyzing the collected data, we were faced with rather surprising results: the majority of relationships, which had previously been statistically significant and had had a high explanatory capability (as regards the data from the years 2001–2002), were simply “inoperative” with regard to the new data.

This compelled us to change the methodology (see above), and to examine each assumed relation between the indices, rather than to directly analyze the dependence of welfare indices on the institutions or on the electoral demand for them. However, despite the adoption of a refined methodology and of a step-by-step algorithm applied for the identification of relationships, which involved the analysis of only those relationships that represented, beyond any doubt, economically rational direct connections, easily interpreted at the micro-economic level, it became much more difficult to explain, by means of the institutions, all the regional variations in the static and the dynamics of the investment climate indices and welfare.

Thus, the indices of development of small businesses are no longer significantly influenced by some of the indices of judicial statistics (except for the index of sentences for intrusion in private life, singled out into a separate variable; it represents the only formal components of crimes violating citizens' rights and crimes against legal system, with regard to which the number of sentences passed in 2004 did rise by comparison with the years 2000 and 2001).

The relation between the dynamics of small businesses and the activity of civil rights organizations became weaker – the only vestige of it is limited to a lowly significant index with R^2 0.08% (see relationship 1 in *Table 2*).

However, all this has given no grounds to affirm that the institutional factors, which reflect people's choice in electoral statistics do not influence the business climate. The most significant relationship turned out to be the relationship between the business climate quality index and its

value in the year 2001. But in the year 2001 these indices had been determined as significant...

Certain traces of the influence exerted by electoral variables are still present for the year 2004.

Table 2

The major results of statistical analysis⁸

No.	Explained variables	Independent variables with 0-coefficients	R ² (adjusted R-square)	t-statistics
1	Small_B_Empl_Dynam2004_2000	0.133681* HROnet2006	0.082071	2.515524
2	Small_B_Empl_Dynam2004_2000	0.105514*	0.071907	2.570837
3	SMB2004_per1000	7.122314*Privacyviol04	0.316221	8.166102
4	REG_OFFIC_PER1000B	4.016903*G_SPENDIN2005_PC	0.128133	2.047024
5	FDI05	2324.444*FDI2001	0.519276	1.716989
6	FDI05	79.81522* SMBEmpl01 -167452.4*LDPR2003	0.552258	2.02864
		2753.556*FDI2001		-1.972097
		78.97714*SMBEMPL01		2.570447
		-		1.852389
		929730*GOVERNOR_CHANGED		-1.689096
8	Salarbrut05	13.15158*SMB2004_per1000	0.151323	1.549394
		0.000156* FDI05		1.637897
				Both results are insignificant even at the 10 % interval
9	Salarbrut05	0.158488*G_Spendin2005_PC	0.591049	3.052116
10	Carsper1000	0.023755*FDI01	0.451062	3.402218
		37.55506*Dummy_Rent_Geo		3.87141

Unfortunately, the sharp aggravation of the relations between the authorities and big businesses, which took place in 2003, is difficult to discern on the basis of the data for 1 or 2 years (for the year 2004 with regard to small businesses, and for the years 2004 and 2005). Apart from this, prior to the attacks on foreign investors on the island of Sakhalin, the authorities had been cultivating in the business community a

⁸ For a more detailed report on the conducted statistical analysis, see the *Annex*.

certain illusion that everybody who did not interfere in politics was safeguarded from repressions (as regards Sakhalin, see below).

Thus, after checking the relationship between the indices of the state and dynamics of the business climate (employment in small businesses and the adjacent parameters – the numbers of persons temporarily employed on civil law contracts and persons combining jobs) and the attacks on business in the regions, we found no proof of the hypothesis that business instantaneously should react to such cases (see *Annex*). And it is not surprising. In the majority of cases, it is impossible to roll back the investments in the course of a few weeks and even months without incurring large losses; sometimes it takes years for a business to be re-oriented to fulfilling new tasks in another region or even in another country.

2.6. Informal comments to the statistical analysis outcomes

From the quantitative point of view, all the three indices of the activity of human-rights organizations have significantly improved. There was a growth in the number of such organizations. There was a considerable growth in the number of regions where human-rights organizations managed to win cases in the courts of justice, which have become especially difficult in recent years. Also, there was a significant growth in the number of regions where networks of specialized human-rights organizations emerged in recent years (the Republic of Komi, Kemerovo, Kursk, and Penza Oblasts, etc.).

However, there were noteworthy cases (in seven regions) of non-governmental organizations engaged in human-rights activity being banned by court decision. This is an absolutely new phenomenon, apparently inspired by corresponding signals from the top political leadership. One of such signals is the campaign against the most prominent civil-rights organizations (“the English Stone”), which the authorities still do not dare to shut down, while another one is the adoption of new legislation on not-for-profit organizations, which provides the authorities with instruments for exerting pressure on independent nongovernmental organizations. Simultaneously, we are witnessing the emergence and growth of GONGOs, governmentally organized NGOs typical of Soviet times.

One of the “centers of gravity” of fictitious public opinion has become the so-called “Public Chamber”. The meaning of its activity in the sphere of lawmaking is not quite clear (it cannot improve, in absence of any strong opposition, the quality of decisions being adopted by the Duma deprived of independence – first of all, because of possessing no real powers or opportunities for exerting any significant moral influence in absence of strong and independent mass media).

However, the “quasi-parliament” did successfully test the new system of financing. In contrast to a normal parliament, which takes decisions on taxes and the budget, this body began to distribute a rather insignificant part of rent revenues. Thus, in September 2006, the results of a contest were announced, where the “Chamber” had played the role of a jury. The amount of 250 million rubles from budget funds was to be distributed. A large number of human rights organizations had applied for participation in the contest in order, just in case, to check the seriousness of the intent of the Putin administration to assist human-rights activities. This fact, by the way, is testimony to the existence of a general problem, which is typical not only of Russian human-rights activists alone. They usually feed sympathetic toward the leftist extremist ideas, according to which only state financing “independent of private interests and capitalist greed” can guarantee the true observation of human rights. The results of the contest have given us some reasons to hope for a certain sobering up of Russian human-rights activists. None of the prominent human-rights organizations among those that had applied for state support became winners in the contest. But on the other hand, the list of winners includes no less than 17 not-for-profit organizations, headed by the members of the “Public Chamber” themselves. There is unlikely to be any better Russian illustration of the very concept of GONGO.

It should be noted that some of the regions where NGOs are being closed by a court ruling are, on the whole, by no means the worst, either from the point of view of the incidence of violations of human rights there or in terms of the level of development of the institutes of civil society. Among such regions there are Moscow, the Republic of Komi, Archangelsk Oblast and Nizhnii- Novgorod Oblast.

Among the least satisfactory ones are the Republic of Adygeya and the Republic of Kalmykia.

The situation in regions as regards the mass media that are oppositional in accordance with our definition has become significantly worse. This index was especially significant (that is, the estimate changed from 1 to -1, the first value demonstrating the presence of the clearly oppositional mass media, while the second one – their equally clear absence) in ten regions:

The Republic of Kalmykia, Primorskii Krai, Vladimir Oblast, Omsk Oblast, Rostov Oblast, Sakhalin Oblast, Tver Oblast, Tula Oblast, Tumen Oblast and Chita Oblast. However, in three regions – the Republics of Yakutia, Tatarstan and Chuvashia – the situation changed in the opposite direction with the same degree of significance.

On the whole, the sum of estimates changed from +42 in the years 2001–2002 to +15 in the years 2005–2006.

A superficial glance on judicial statistics may notice a marked growth, in 2004, of the number of sentences pronounced for the falsification of evidence. In combination with the obvious weakening of the independent press and weaker guarantees of the independence of judges, this may be indicative, most probably, of either an increasing struggle going on between different groups inside law-enforcement agencies, or of the lowering quality of performance of those same agencies.

The number of verdicts issued for creating impediments to the professional activity of a journalist (Article 144) – 2, including impediments created by an official – 1; in 2000, there were 6 verdicts issued under Article 144, in 2002 – 1; in other words, the judicial protection of the independent press does not appear to be rational as a strategy, because of the negligibly low probability of success.

Article 305 (the pronouncement of a sentence known to be unjust), Article 299 (the bringing to criminal responsibility of a person known to be innocent), Article 301 (unlawful detainment or temporary confinement under guard, or confinement under guard), Article 302 (testimony under duress, with use of violence or torture) have, in fact, always been and still remain “sleeping” norms. The highest number of sentences under Article 302 (7) was pronounced in 2000.

In 2004, two sentences were pronounced under Article 299, one – under Article 301, and none under Article 302. Under Article 305 (Part

1), one sentence was pronounced (which is quite compatible with the observed trend – no sentences in 2000 and two sentences in 2001).

Once more, in combination with the absence of due guarantees of the independence of judges and the lack of strict control on the part of the independent press, actively competing for the attention of readers and spectators, this situation can be regarded as a proof the absence of judicial guarantees of the inviolability of the person and the protection of the person against the most grave and dangerous violations of this fundamental right by the State itself.

3. Federal State Institutions in the Russia and in the Canada: the Source of Instability or Flexibility?

3.1. Russia: the Final Wave of Gubernatorial Elections in the Regions

December 19, 2004 was the date on which the final “series” of gubernatorial elections prior to the cancellation of direct elections took place. The “penultimate” five Russian regions did elect their leaders. In the process, the candidates put forward or supported by “United Russia” won in four regions, and only in Kamchatka the incumbent governor, the former communist Michael Mashkovtsev, did manage to keep his post.

The Governor of Kamchatka Oblast, former CPRF member Michael Mashkovtsev, succeeded in achieving this result by soundly defeating in the second round his old rival Boris Nevzorov, head of Ust-Kamchatka raion, who was balloting as a candidate of “United Russia”. According to preliminary results, the latter got only 37.6% of votes, while the Governor obtained 49.7%. Mashkovtsev’s success can be explained by his popular image as the “people’s governor” (his supporters affirm that he lives in an ordinary five-storey apartment block, and even pasted his leaflets himself). Mashkovtsev focused his efforts on Petropavlovsk-Kamchatskii, the place of residence of more than fifty percent of Kamchatka voters, and also “organized the promotion for the balloting of his ally – the fish trader Oleg Kozhemiako. Kozhemiako, the candidate of “Rodina” came third in the first round, while in the second round he supported Mashkovtsev.

The Kurgan Governor Oleg Bogomolov also managed to retain his post, by obtaining 49.1% of votes. His rival, the former member of the State Duma from “Yabloko” Yevgenii Sobakin, got 40.1%. On the eve of the elections, he had joined “United Russia”, while Sobakin had been balloting as a candidate of the SPS (the United Right – Wing Forces). Before the second round, he even joined this party, but three days before the voting took place he, too, announced his decision to become a member of “United Russia”. Sobakin was supported by Petr Nazarov, chairman of the Oblast’s Federation of Trade Unions, who took the

third place, and by the Sverdlovsk entrepreneur Sergei Kapchuk, the candidate of “Rodina” who had been disqualified before the first round. One of the organizers of Sobakin’s campaign was the member of the State Duma Anton Bakov, a well known Urals politician, who had recently joined the SPS. It can be assumed that “if the Bakov – Sobakin – Kapchuk – Nazarov coalition had had one more week for campaigning, they would have finished off Bogomolov”⁹.

As it had been expected, a sound victory in Khabarovsk Krai was achieved by Viktor Ishaev, member of the Supreme Council of “United Russia”, who had been heading this region since 1991. He did not have any serious rival, and was returned by 85.3% of votes.

Also returned, by 56.5% of votes, was President of Marii El Michael Markelov, backed by “United Russia”. He had no serious rivals, either.

Also predictable was the result of elections in Briansk Oblast, where Governor Yurii Lodkin, a communist, had been disqualified before the first round by a court decision. Nikolai Denin, the leader of “United Russia”’s Briansk organization and a member of the State Duma, got 43.5% of votes in the first round and as much as 77.8% in the second round. Denin’s rival was the SPS candidate and the employee of the Clearing House’s apparatus Evgenii Zelenko, who obtained 12.7% of votes in the first round. In the second round, only 10.3% of the electorate cast their votes in his favor.

Afterwards, Yuri Volkov, the head of of the Central Executive Committee of “United Russia”, posted a statement on the party website to the effect that he was “especially overjoyed by the most convincing victory in Briansk”; according to Volkov, Denin’s success – “is a clear indicator of the Party’s successful personnel policy”.

On the one hand, the successes achieved by the right – wing forces including their participation in the second round of voting in Kurgan and Briansk, can be regarded as a deserved victory. On the other hand, it should be taken into consideration that the SPS managed to achieve their success by, in fact, abandoning right – wing ideology. The SPS candidates (Zelenko and Sobakin) campaigned under leftist protest slogans, and in particular, both of them demanded that the results of privatization be revised.

⁹ Vedomosti [Gazette], 21 December 2004. “Kandidaty ne portiat borosdy” [“The candidates do not mess up the furrow” – Cf. An old ox makes a straight furrow].

It can be concluded that it is not the candidates of “United Russia” or the members of any other political party who win or lose: the persons who win are either energetic active governors or candidates who have managed to consolidate anti-gubernatorial attitudes of the elites and the electorate, while party membership, as indicated by the examples of Mashkovtsev and Denin, is not of principal importance.

Presented below are some other examples of electoral campaigning, which demonstrate that party membership is not to be considered as one of decisive factors.

The Ulianovsk Oblast Court of Justice disqualified the SPS candidate, Sergei Gerasimov, General Director of the Ulianovsk Refregiration Plant. In the first round of gubernatorial elections on 5 December 2004, he had managed to get 21.9% of votes and was to be balloted in the second round. The initiator of Gerasimov’s disqualification was the other participant in the second round, the former mayor of Dimitrovgrad and the official candidate of “United Russia”, Sergei Morozov. He accused his rival of bribing the voters – in the course of the elections, the milk plant “Milan”, whose Chairman of the Board of Directors was Gerasimov, had reduced the prices of sour cream and kefir.

In the second round Morozov was to compete with a fellow party member, Margarita Barzhanova, who was balloting despite the official decision of the General Council of “United Russia” and had gained 15% of votes in the first round. It cannot be excluded that Gerasimov was disqualified because he could defeat Morozov. M. Barzhanova also had chances to win, but after the first round her activity sharply declined, and the “official” candidate won with relative ease.

The existing regime has decided to entrust the residents of Nenets Autonomous Okrug with the mission of completing the ten-year period of direct gubernatorial elections. And it is interesting that these last elections were lost by the regime.

The independent candidate Aleksey Barinov was elected Governor after getting nearly fifty percent of the votes cast by the electorate. The loser was Igor Koshin, a thirty-year old, who had been excluded from “United Russia” for disobedience. The candidates of the party of power had not even managed to reach the finals after losing in the first round. But there will be no more losers in the future – hereinafter the heads of

the regions are to be approved by local parliaments on the President's recommendation¹⁰.

In the first round, Barinov and the then fallen out of favor Koshin from "United Russia" dashed the electoral hopes of Aleksandr Shmakov, the official candidate of "United Russia", despite his hints that the General Council of "United Russia" was not the only instance in Moscow that was supporting him. The current winner Barinov also hinted at his being supported at the top, but did it more cautiously. And he was better heard by the voter on this occasion.

Aleksey Barinov: "Today I have reasons to say that the President supports me. However, I am not doing this, because the President has forbidden me to refer to any administrative resources. There is only one President for all of us. We have elected him, the whole of Russia has elected him, and I respect and love him".

It should also be noted that about 20% of the Nenets electorate cast their votes "against all". At the next elections, members of the local parliament will have the right only to refrain from voting. The epoch of direct gubernatorial elections in Russia is over.

3.2. The Problems of Guaranteeing the Quality of State Governance at the Regional Level

The problem of the provision of public benefits by those authorities who are best prepared for this task is being solved in Russia, as any other country, not in accordance with textbooks on the theory of economics, but in accordance with the balance of forces and groups of special interests. Regional authorities are interested in receiving budget funds on a preferential basis. The lobbyists in the rich city of Moscow are no less active in struggle for federal funding than the representatives of poor regions. To transfer less money to the federal budget and to redistribute more on your own – those are the rules of the game. In

¹⁰ That is, according to the formal definition suggested by A. Przeworski (Przeworski et. al., 2000, p. 54) for a precise classification of democracies and dictatorships (the former are regimes are those under which the politician in power should either resign after having lost elections, while all the latter fall within a different category) and considering the now typical situation when a legislative assembly is controlled by a governor, it can be concluded that democracy at the regional level in Russia has been liquidated as an institute.

accordance with the Niskanen model¹¹, every rational official would be striving to maximize the amount of resources to be redistributed under his leadership. Therefore, an official from the capital is sure of his superior level of education and training, while a regional or a local one would be sure of his knowledge of local specific features being of paramount importance.

Regional priorities in the spending of budget funds are determined by the standard of living. For example, in Moscow these funds can be needed for reconstructing highways and for building churches, in Samara Oblast – for preserving another thousand jobs at the Volga Automobile Plant and for the gasification of rural villages, while in the Republic of Altai – for the payment of pensions and children's allowances to the population. Also, the resources must not be stolen or squandered on projects known in advance to be inefficient. It should be added that prior to the cancellation of direct gubernatorial elections, there existed certain motivations to sustain inefficient works in order to preserve jobs, etc., so as to improve the chances of the head of a region to be re-elected. Of course, there could also be some short-term corrupt schemes aimed at increasing the incomes of persons loyal to the governor, including the schemes for providing him with financial resources for electoral campaigning. After the cancellation of direct gubernatorial elections, the first type of motivation was weakened, though did not disappear completely. On the contrary, the second type was much strengthened, because under the conditions of non-transparency and arbitrariness of the new procedures for obtaining a gubernatorial post, the incentives for most blatant corruption became much stronger.

The afore – noted uneven character of both the economic and institutional development of the regions raises the question of their being classed as those in constant need of transfers, those temporarily in need of transfers and those in no need of transfers.

In most of the subjects of the Federation, regional authorities are confronted with more acute problems with the personnel reserves and with obtaining qualified expert opinion, than their federal counterparts are. For example, the majority of civil servants employed by regional agencies are not capable, say, of composing an adequate tender code or of correctly estimating the incoming revenues of a regional budget,

¹¹ *Niskanen 1971.*

or of assessing the feasibility of a business plan of a subsidized enterprise, or of regulating the relations with creditors. Since highly professional lawyers and economists prefer to cast their lot with the private sector, a solution to this problem can be found in cooperation and the sharing of best practices, as well as in the use of standard regional legislation. In many regions, regional legislative assemblies have been controlled by the governors since the mid 1990s; at present, there remain practically no region with legislative assemblies in opposition to local governors. This means that if a governor has enough political will, it is almost guaranteed that any law he needs will be adopted.

Also, the regions frequently need support from the center in order to attract investments. Although some regions have already independently and quite successfully entered the international investment market (Moscow and St Petersburg, Moscow, Leningrad, Novgorod, Perm, Nizhnii Novgorod, Samara and some other oblasts), many regions have no chances of following their example even with regard to the Russian investment market. Of course, the simplest thing to do is to request the right to issue Eurobonds. This right as well as other privileges, must be granted only if the policy of a subject of the Federation complies with certain criteria, including non-economic ones, developed by the center. In this connection, the experience of the RF Ministry of Finance is worth mentioning, which developed, in the years 2000 and 2001, a number of methodological recommendations for selecting the regions best fit to be candidates for receiving loans from the World Bank; these recommendations encourage the granting of loans to those regions that display the best, and not the worst, economic and institutional indicators. And finally, the authorities of any region will always strive to form a single hierarchical team, being interested in their confederates being appointed to the posts within the federal "vertical of power".

The stimuli for the opportunistic behavior of civil servants of the Federation's subjects may be substantially weakened if regional authorities are to be restricted in their activity by the following measures, which could also be useful at the federal level as well:

- the introduction, in the statutory provisions, of a norm prohibiting budget deficit, and correspondingly, prohibiting any redemption from the federal budget of the arrears emerging at the regional level;

- the prohibition of any economic activity on the part of regional authorities, including the crediting of commercial projects.

3.3. The Negative and Positive Trends at the Regional Political Markets of Russia

As is shown in Chapter 2, the problems of institutional development in the regions, which have become chronic - owing, among other things, to the inadequacy of political markets (low civic and political qualification of the electorate, caused by a lack of the required quantity of corresponding “transactions” and, even more so, of any experience of positive influence of the democratic process on the quality of life), do, indeed, block the way to improving the quality of state governance. Thus, even when having complete information at their disposal on the best legal solutions and law-enforcement practices, the heads of regions may lack any stimuli to apply them, and even, on the contrary, be interested in adopting the worst practices and laws.

The major consequences of the low quality of the political markets existing in the Federation’s subjects, may be, rather conventionally, subdivided into political and economic ones.

Among the most negative phenomena in political life, one can note the formation of rigid authoritarian regimes suppressing dissent; the presence, in legislation, of blatant violations of the Federal Constitution and laws; the fusion, in a region, of the regional leader’s team and the regional representatives of the federal vertical of power (a regional agency of the Ministry of Internal Affairs, a regional agency of the FSB (Federal Security Service), the office of public prosecution, the Committee for Property Management, a regional office of the Russian Fund for Federal Property, the tax services, the anti-monopoly committee, the Representative of the RF President (or a federal inspector) in a region, a regional state-run TV and radio broadcasting company); the suppression of the independent mass media; the infringement on local self – government or its total absence (Tatarstan, Bashkortostan, Kabardino-Balkaria, Ingushetia); the interpenetration of regional officialdom and criminalized business (prominent in this respect are not only the republics of North Caucasus but also, for example, Tver Oblast, where three vice-governors were arrested in the course of two years); the conduct of anti-government agitation on the part of the authorities

of a region; the creation of a system of privileges for the representatives of a certain corporate group (usually these privileges are granted to representatives of the titular nation in a national republic, or to the Communists, or to a very narrow group of entrepreneurs in a region whose governor is indebted to them for his having been elected) who, accordingly, will be granted jobs in the state apparatus irrespective of their actual professional qualities, offices, protection in business, etc.

There are even more numerous examples of irresponsible economic policy. One could quote the high rates of regional taxes (Moscow), the practice of widespread granting of individual tax benefits (Bashkortostan, Dagestan, Kalmykia, Kurgan Oblast), the formation of unrealistic deficit-ridden regional budgets (Gornyi Altai, Tyva) and / or the covering of deficits by the expansion of debt liabilities, money surrogates; the over-regulation of the prices of goods and services; the unjust regulation of power rates, land tax, transport tariffs and public services in the interests of certain enterprises and against the interests of other enterprises and structures of federal subordination; the expansion of regional licensing to the extent of limiting the interregional movement of goods or of imposing a total ban on the movement of certain types of products, first of all, agricultural produce or alcoholic beverages (which contradicts the RF Constitution); the total discontinuation of the privatization of republican, oblast, or municipal property; the adoption of a course towards consolidating, in the ownership of a subject of the Federation, the blocks of shares managed by the Federal Ministry of State Property (now the Federal Agency for the Management of Federal Property, under the Ministry of Trade and Economic Development); the large-scale subsidizing of inefficient enterprises; the discontinuation of land reform and the disinclination to consolidate shares in land property to the peasants as envisaged by the President's decrees; the discontinuation of reform in the housing and utilities sector; the rejection of all contest-based transparent procedures for distributing state contracts and the abandonment of the rights to serving regional budget accounts; the failure to support investments, small businesses and farmers, the violation of property rights – for example, in Leningrad Oblast, which is adjacent to the Baltic Sea, where the Vyborg Pulp and Paper Plant (nearly at the very border with Finland, where such a situation would have been unthinkable), has been under the control of a group of illegal

captors for a period of three years, that group partly consisting of the enterprise's employees. They did not have any documented rights to this property (nor even a small amount of shares). The managers appointed by the legal owners were not allowed to enter the territory of the plant. The enterprise was used for the production of counterfeited vodka, and only when the region's governor was replaced, the police helped the owners to establish their control over the plant.

It seems that the following criteria of a positive policy of regional authorities could be singled out (any opposite criteria could be considered negative): the readiness to function within the framework of democratic institutions under control of federal authorities, and to observe the basic provisions of legislation. As regards the sphere of economics, to implement reform of the housing and utilities sector and land reform, to introduce land turnover, to reduce social liabilities, to restructure inefficient enterprises, to privatize non-strategic state property, especially when the latter is unprofitable, to introduce open tender mechanisms, especially those involving the direct numerical parameters for determining the winner, to support investments, small businesses and farmers; to form a reasonably balanced regional budget, to reduce administrative interference in the activity of economic agents, and to prevent violations of federal legislation.

3.4. On the Way towards a Unitary State: Benefits and Losses

As is noted in the work concerned with the inter-regional borrowing of institutions, which has been taking place in Russia in recent years (*Mau, Zhavoronkov 2005*), the replacement, in the mid 1990s, of the principle of appointing the governors with the principle of electing them did not result in any deterioration of the quality of inter-regional borrowings, while the reverse replacement 10 years later did not result in an improvement of the quality of such borrowings. There are no signs of the federal center's encouraging the proliferation of the best practices which, in theory, could have balanced the losses from the mechanism of the natural proliferation of efficient norms being dismantled (provided that the illegal borrowings conducing to corresponding reelections would have been blocked by the federal judicial system).

The system of a unitary state with appointed governors could have some advantages. But such a model must be well planned in advance, or, better still, be naturally developed. Under Russian conditions it could have been developing as follows: the appointed governor is balanced by the members of the Council of the Federation, elected by the population, and by a strong local self-government, whose head is also elected by general voting. The scheme for the appointment of a governor is that envisaged in the Law "On Local Self-Government", i.e., the scheme for appointing a manager on the basis of the candidate's experience and the program for the development of a corresponding region, submitted by him.

From the point of view of ordinary people, some of the elected governors (see above) are clearly not paragons of honesty and competence. As a means of influencing the voter, the regime introduces a thesis that electoral results depend just on money and political technologies. Then there arises the question: what will be changed after the installation of the system of appointments? It is quite possible that the "tariffs" for each bureaucratic action – the inclusion in a list, the coordination with a federal okrug and, as it is reputed in the press – with each of the entrances of the Presidential Administration and with the President personally – will remain. There will be only one difference: if an appointed representative of the elite does not satisfy the needs of the population, voters will not blame themselves, but instead will blame the people who have appointed him, that is, the federal authorities. Citizens will have nobody to blame but themselves for an elected thief or fool. But for an appointed thief or a fool they will blame the President.

The stability of market and democratic institutions in many respects depends on the so-called "dispersed knowledge". An entrepreneur, in response to prices reflecting the changes in supply and demand, can saturate the market with goods and services. In party politics, public associations and groups of influence are competing with one another, and if this competition takes place within a space delimited by the guarantees of basic personal rights, these associations and groups will find a solution that will at least not worsen significantly the welfare of the majority of the citizens.

But even authoritarianism which, as we know, can be quite efficient during the periods of transition, must have its own logic. First of all,

there must be some well-formulated goals and adequately selected personnel, and a person in charge must be personally responsible for the work allotted to him. Another most important guarantee of success is the ability to delegate powers to a subordinate level, because nobody, even the most gifted person, can be expert in all spheres, and cannot penetrate into every question.

Despite the declared goal of administrative reform – that of achieving a switchover to the system of financing the agencies by the results of their performance – no criteria of assessing the results have emerged as yet. It has been promised that these criteria will be developed later on. It is being said that sociological studies can be the criterion of the efficiency of budget – funded services. But in politics, at present, everything is moving in the opposite direction – because it is an honest election with no administrative resource being used and no pressure from the state electronic mass media being exerted, which represents the above-mentioned study of managerial efficiency.

In the past, there existed a system of checks and balances, when a governor was balanced by an unfriendly representative of the President in a region, by a pro-Moscow mayor of a regional center, or by a public procurator. This system has been destroyed. It has now been replaced with a system of collective guarantees and of filtered information being sent to the superiors. A system where the adoption of numerous decisions depends on one person is a weak system. Not infrequently, rather comical miffs take place between the prime minister and the other ministers in the course of a government meeting, because the necessity of a final solution to be made by the President means that before the decision is made one can take the boldest measures, and that the final decision is not predictable.

The Kremlin and its supporters justify the constitutionality of the President's proposals by the fact that the mechanism for electing the bodies of authority in the regions is not directly specified in the Constitution. It is stated in Item 1 of Article 77 of the Constitution that the system of bodies of power of the subjects is to be established by them independently, but in accordance with a federal law. Thus, it is possible that any mechanism will be specified in this law, and that the subjects will later correspondingly adjust their legislation. Also, in the second part of Item 2 of the same article, it is said that the executive bodies of

authority of the Federation and its subjects “shall form the single system of executive power in the Russian Federation”. And it is being affirmed that the President’s proposals are nothing else but the realization of this very principle.

The second part of Item 2 of Article 77 gives rise to some doubts. The point is that in the first part of Item 2 of Article 77 it is unequivocally stated that the federal and local bodies of authority do not constitute, in general, a single system of power, but constitute it only in the part of implementing the powers of the federation as regards the subjects in its exclusive or joint jurisdiction. And what President Putin proposes is to create a uniform system for dealing with all the matters of jurisdiction.

It is true that the Constitution envisages the establishment, in a federal law, of uniform principles concerning the election of local authorities. But it does not envisage any participation whatsoever of the President and other bodies of federal authority in the procedure of forming the bodies of local authority.

Thus, in Item 2 of Article 11, which determines the realization of the principle of federalism, it is clearly stated: “State power in the subjects of the Russian Federation shall be exercised by the organs of state authority formed by them”. Chapter 11 stipulates that state power in the Russian Federation shall be exercised by the federal bodies of state authority (Item 1), and that the state power in the subjects of the Russian Federation – by the bodies of state authority of the subjects, while the delimitation of these two types of powers shall be carried out by way of delimiting the matters of jurisdiction of the two branches of authority. And the mechanism of such a delimitation of powers is clearly specified: the organs of state authority shall be “formed” by the subjects of the Russian Federation on their own. And it is absolutely clear, because what will be the point to delimitating the matters of jurisdiction of the Federation and the subjects if the federal bodies of authority could also be able to form the bodies of state authority of the subjects?

As Item 2 of Article 11 indicates that the bodies of state power of the subjects shall be formed by the subjects themselves, let us consider the following simple question:

Will it be possible for a subject of the Russian Federation to independently and with no participation of the federal authorities form the

bodies of its authority in the situation of the new “federalist” policy? The answer will definitely be “no”.

Moreover, under the new version of the law on the major guarantees of the electoral rights of the citizens, which has abolished the citizens’ right to directly elect the heads of regions, the new procedure cannot be classified as being “elections” at all. It simply replicates the procedure for the appointment of the Prime Minister. Thus, Article 111 of the Constitution reads: “The Chairman of the Government of the Russian Federation shall be appointed by the President of the Russian Federation with the consent of the State Duma” (that same is said in sub-Item “a” of Article 83). This means that under the new procedure, the head of a subject of the Russian Federation shall be appointed by the President with the consent of an appropriate regional representative body of state authority.

How can this be changed into the process of being “formed by them” (that is, by the subjects), mentioned in Article 11? Can it be reconciled that the body of authority of a subject is simultaneously formed by this subject and appointed by the President?

It should also be noted that Article 11 belongs to Chapter 1 of the Constitution, which specifies “the fundamentals of the Constitutional System”, and that it is said in Article 16 of this Chapter that no other provisions of this Constitution may contravene the provisions of Chapter 1. Its provisions are to have priority over everything else. And it is, in principle, impossible to refer to the provisions of Article 77 and to interpret them as not contravening Article 11. And finally, Article 83 of the Constitution presents a complete list of the President’s powers with regard to the bodies of executive and judicial authority: whom he is entitled to appoint and dismiss, whom he has the power to represent, etc. Nothing is said there with regard to the heads of executive authority, although the plenipotentiary representatives of the President in the subjects of the Russian Federation are indeed mentioned (for example, in sub-Item “k”). Therefore, the existing Russian Constitution does not empower the RF President to put forward the candidacy for the post of governor, let alone to appoint or dismiss a governor. Accordingly, Article 84 lists the powers of the President as regards the issues of legislative authority. Here again, the right to dissolve the State Duma is men-

tioned, but absolutely nothing is said concerning the right to dissolve regional legislative assemblies.

This power, which, in effect, gives the President the right to annul the results of a free expression of popular will on the part of the citizens who have elected their legislative assemblies, can be determined in no other way but constitutionally. But this subject already deals with the second part of violations resulting from the President's initiative.

Apart from the principle of federalism, the federal reform also violates the second crucial principle of the Constitution – the principle of democracy. The principle of democracy is expressed in Article 3 of the Constitution, which defines the people as the vehicle of sovereignty and the only source of power, and the referendum and free elections – as the supreme manifestation of this power. This suggests that there exists no body within the state system which could deprive the people of the right to have direct elections. Strictly speaking, in accordance with the principle of democracy, which recognizes elections to be the supreme manifestation of people's power, it should be reasonable to conduct 88 referendums (one in each of the subjects of the Federation) on the issue of changing the procedure for electing the head of a subject of the Federation.

From the point of view of a citizen, a direct election of the head of a subject of the Federation is one of the forms of realizing the right envisaged in Item 2 of Article 32 of the Constitution ("Citizens of the Russian Federation shall have the right to elect and to be elected to bodies of state governance and to organs of local self – government, as well as to take part in a referendum"). The President's initiatives suggest that the citizens will be deprived of this form of exercising the afore-said right. But Item 2 of Article 55 reads as follows: "No laws denying or belittling human and civil rights may be issued in the Russian Federation". The President's initiatives do not abolish the right itself to elect and to be elected, but they undoubtedly reduce the scope of the realization of this right, and thereby belittle it. Even the lawyers most loyal to the President's idea, such as Mr. Chirkin, have been forced to admit this fact.

In order to justify the innovations, the supporters of the party of power usually refer to two facts. After the adoption of the Constitution in the year 1993, members of the Council of the Federation were at first elected, and then these elections were cancelled and replaced with ap-

pointments. This reference is incorrect: the above-mentioned procedure for the formation of the Council of the Federation of the first convocation was directly envisaged by the transitory provisions of Section II of the Constitution. The same was true of the appointment of governors in the first years after the adoption of the Constitution. There was simply no legislation establishing the procedure for electing the head of a region – neither any regional laws, nor the Federal Law “On the General Principles for the Organization of Legislative and Executive Bodies of State Power in the Russian Federation”. The heads of regions began to be elected after a law to this effect was adopted by a regional parliament, and prior to that they had been appointed. But this does not mean that the norm concerning the appointment of a governor can be now prescribed in the chapters of the legal acts regulating the procedure for electing the heads of regions. In fact, it contravenes with the afore-mentioned provisions of the Constitution (the Constitutional Court had to exert a lot of effort to avoid getting into conflict with the executive authorities when considering the corresponding query).

Nowadays, the legal dispute concerning the constitutionality of the President’s proposals is taking place exclusively along the following lines: some are saying that these proposals contradict the Constitution, while others are saying that they contradict the spirit but not the letter thereof. The question of whether something can contradict the spirit of a legal document while not contradicting its letter is interesting in itself. Apparently, this question should testify either to the extent of the juridical competence of the interpreters or to the quality of the document itself. Because the essence of a legal document consists in the fact that a document’s spirit is expressed in its letter. ***To one degree or another, the initiatives concerning the abolition of direct election of governors, and what is more, by a decision of the Federal Parliament, violate a number of articles of the Russian Constitution:*** Article 11, Item 2 – and therefore contravene Articles 73 and 77, Item 2, and also Articles 83 and 84; violate Article 55, Item 2 in connection with Article 32, Item 2 – and therefore contravene Article 3.

It is not surprising that so many articles turn out to contravene the reform which has abolished direct election of governors. The President’s proposals contradict the spirit of the Constitution and therefore contravene many of its literary provisions.

First of all, they deliver a direct blow against one of the major principles – the principle of federalism. One can be a supporter of federalism or a supporter of unitarism. It is not important in this case. The existing Russian Constitution describes the federal model of statehood.

The costs of changing the Constitution are not simply rather high from the point of view of organization and technology. In the present situation, these problems can be solved with unprecedented ease. The main component of the costs of changing the fundamental law of a country (especially of rapidly changing it¹²) is connected with its influence, by country, on investment risks. All other factors being equal, these risks will be noticeably higher in a country with a “changeable constitution” than in a country with an invariable fundamental law.

The recommendations following from the above criticism of the federal reform are evident. The restoration of gubernatorial elections is necessary in order to at least de-stimulate the governors’ opportunistic behavior by the threat of elections, or by the threat of persecution in the case of their being defeated thereat. In a situation when the heads of regions are appointed, the risks dealing with corruption in the absence of political competition are considerably lower, with the facts of dishonest behavior on the part of an apolitical leader being revealed on the initiative of private persons (oppositionists) interested in displacing and replacing their disgraced foe.

It should be noted that the weakness of the influence exerted by a candidate’s qualities and his political background on the chances to win an election (revealed by us in Chapter 2), and therefore the weakness of the influence exerted by elections as a political mechanism for positive selection, can be easily explained by the “consumer inexperience” of the population. The number of transactions on the ordinary commodity market is sufficient for a consumer to acquire all the necessary skills in one or two years. It is evident that in politics, the number of the “transactions” which make it possible for a voter to assess the efficiency or the erroneousness of his decisions is much smaller. Therefore

¹² R. Cooter (*Cooter 2000*) points to the practice of frequent amendments to the Constitution of Russia that had existed prior to December 1993 as an example deserving condemnation. His attitude to such practices can be illustrated by his own reference to one Russian joke of that time: a customer at a bookshop, when asking for a copy of the Constitution, was given the following answer: “We do not trade in periodicals”.

voting in accordance with a family tradition is rather widespread and seems to be a rational practice in developed countries. The experience which can restrain people from voting for a likeable con artist, or even for a person who is simply good but unable to balance a city budget, takes generations to accumulate. And any gap in the tradition of elections can only postpone the “maturation” of the electorate, and does not replace it.

The sooner the Russian voter attains his “one hundred years of age”, the sooner the democratic mechanisms for guaranteeing the qualified demand for leaders and safeguarding the transparency of the spending of public funds will start to manifest their economic advantages.

3.5. The regions of Russia consolidation processes as the problem of political-economic competition

Russian Federation Constitution of 1993 enlisted 89 regions differs each other enormously. Initial variations of economic, political and cultural development, population, and stocks of capitals were huge. Very few of them could balance the regional budget even before shift of taxation base from regional to Federal Center since 2000.

So, discussion about option of consolidation started many years ago and provided both political and economic reasoning for this idea defense. Hevily populated Moscow (up to 9 mln people) comparision with Evenkiyskiy okrug (12 thousand) caused political speculation about two seats in Federal Council, for example.

As the federal power made the choice for unification and consolidation of the regions, some of leaders tried to strengthen their position demonstrating support to this idea. The key motivation could be chance for new redistribution of the resources.

A lot of judicial obstacles and barriers should be overcamed for unification choice realization. 2003–2004 years political dynamics provided federal executive power by unic possibility to decide any problems, including federal constitutional laws passing and, even the Constitution amending.

There are few models of unification.

Permskiy kray (Permskaya oblast, rich and heavily populated – 3 mln population and underdeveloped Komy-Permyackiy okrug, 150 thousand population). The okrug’s representative in the oblast Duma leaded

movement for the unification. The governor of the okrug was opposed by okrugs' Duma. So deeply divided elite couldn't oppose the idea. So, this case become the first and "pilot project" to demonstrate "voluntary consolidation" best practice.

Tumenskaya oblast and Hanty-Mansy and Yamalo-Nenetsky okrugs – the opposite example. Populated okrugs, enjoying the richest oil and gas resources. Okrugs' Gross regional product excels the rest of the oblast GRP 7-fold.

The oblast governor was very interested in consolidation, but okrug's elites opposed furiously. The Presidential administration pressed them to support the unification. Yamal governor Yu.Neelov was pressed by detailed examination his activity by police and prosecutor's office. So Yamal's leaders were close to surrender. The Hanty-Mansy okrug governer A.Filipenko appeared to be lucky to be received by president Putin and could gain his support to idea of treaty between the oblast and the okrugs, guaranteeing for okrugs their sources of income independence. The treaty undermined oblast government incentives to take up the okrugs and the consolidation failed here.

Krasnoyarskiy kray and its' okrugs

The Taymyr okrug in Krasnoyarskiy kray – the largest source of non-ferrous metals so this small region was quite all-sufficient economically. So the case looks like Tumen not like Perm example. The peculiarity of the political situation formed by the fact, Taymyr governor and Norilskiy Nikel ex-manager Khloponin won the Krasnoyarskiy kray gubernatorial election and appeared to be strong and influential enough to consolidate both – kray and the okrug elites under his leadership. So the process not looked as the okrug taking up by the kray.

Nenetsky okrug in the Arkhangelskaya oblast could survive because strong and consolidated opposition of the elite (inspite the governor Barinov arrest). The new governor obtains the similar treaty with oblast as in the Khanty-Mansy case and prevented the taking up.

Altay and Adygeya republics beat back offensive. Both regions are underdeveloped. The ethnic minority elites represent minor part of population even in both their "republics" but they could mobilize support inside small but well organized tribes and endangered the Federal Center by massive unrest. It was risky strategy and president of Adygeya H.Sovmen lost his struggle for re-appointment, but the ethnic el-

ites as the special interest groups, struggling for federal grants and subsidies appeared to be well motivated and won.

3.6. Regional authorities and the challenges of terrorism

The challenges of terrorist violence and the requirements to improve the quality and reliability of providing the citizens of Russia with the key public good known as “security” were the main reason for starting the reform of Russia’s federal state system. Let us consider how adequate the adopted measures are from the point of view of the individual rational stimuli of persons responsible for safeguarding security.

To begin with, it should be noted that the chosen route of reforming is, in a sense, both natural and rational. But not from the point of view of guaranteeing the security of citizens.

It could be possible to prevent a terrorist act like the Beslan, one provided that certain technical measures are combined with a reasonable policy. And it would be practically inevitable if the voter expresses a will to punish the politicians incapable of safeguarding his security, as it happens, sometimes, in democratic countries (Israel, the USA).

In Russia it does not happen as yet. The voter does not express demand for being protected. Will he begin to express it after Beslan has unfortunately not become clear so far. And this explains the decisions being taken by the authorities. It could have been expected from the very beginning that the authorities would take measures which would, on the one hand, increase the possibility of eliminating the leaders of the terrorists and, on the other hand, would improve the safety of the leader of the state. A payment was promised for the heads of Maskhadov and Basaev. And it was likely to be quite a reasonable measure. But it is typical that all the adopted measures are not aimed at guaranteeing the safety of the electorate.

How will the abolition of the electiveness of governors help to combat terrorism? Formally, the power structures are not subordinated to the heads of regions, but in fact the governors influence the security situation. It is absolutely clear that if they will be answerable not to their voters but only to the top leadership of the country, there will be no doubt as to whose safety they will be eager to safeguard as rational politicians. This does not mean that now all the governors will ignore the needs of guaranteeing the safety of their regions’ population. But this

means that they are being prodded in this direction by the creation of such a system of stimuli that will make them pay less attention to their voters, and more attention to those to whom they owe their appointment.

The consequences of such a policy are well explained by the logic of rational behavior, and the Russian voter, who has not demanded from his leaders to be protected, bears his share of responsibility for the possible sad consequences for himself.

As repeatedly noted by researchers¹³, the idea of regional and local authorities influencing the measures designed to ensure the safety of the population was strongly discredited by the practice of such interference in the 1990s. However, it should be noted that in that period, interference was permitted as a part of the opportunistic compromise between the central authorities and regional elites. Even the present calls of the authorities to increase the activity of society in the struggle against terror emphasize the impossibility to solve the problem by directing this struggle from a single center alone, no matter how competent and well equipped it may be.

Stable stimuli to protect citizens from terrorists can emerge on the part of officials (both appointed state servants and elected officials), as indicated by the practice of developed countries and, correspondingly, of legal states, in the process of applying two different approaches.

The first approach is to delegate some of the responsibility to the local (or regional) level – and to back it up with corresponding resources. The US police is quite efficient, organized and much less corrupt than its Russian counterpart, although it is subordinated to three levels of power: municipal authorities (the police of cities, counties, and districts); regional authorities (state police), and federal authorities (the Federal Bureau of Investigation and other federal law-enforcement agencies).

The second approach can be represented by the Israeli model. In the unitary Israel, the police is under centralized control. But alongside the police, there exist armed self-defense detachments, organized by the bodies of local self-government, or even on the initiative of individual citizens. Also, there exists a network of armed security structures of commercial companies – in commerce, public catering, and in the

¹³ See, for example, *Zhavoronkov, Yanovskiy 2001*.

transport industry. And finally, many officials, including school teachers, are encouraged to acquire fire arms and to get trained in their use.

Let us imagine the raid on Beslan having happened in the presence of a police unit controlled by the local authorities (such a unit appears to be more sensitive to the demands voiced by the local population – at least when its direct employer is elected by the population). It is much less likely that such a unit would permit a school to be crammed with arms and explosives. It would rapidly come to the place where a serious incident involving the use of arms is taking place. It would cooperate rather than compete with the neighbors, the armed civilians. Some of them, the teachers, would carry the brunt of the initial assault, being armed citizens instead of helpless victims. And the advantages of an assault rifle versus a pistol are considerably leveled under conditions when a terrorist does not know where he would encounter resistance and what its nature would be.

The federal unit, on arriving at the place of action, would be capable of preventing a mass slaughter, being adequately prepared to such a course of events. This capability could be achieved by the Feds, in particular, by focusing on a narrow range of the most difficult tasks (such as responding to the challenges and threats of the Dubrovka and Beslan scope) and by being released from the task of investigating, for example, domestic homicides, or combating drug dealers and den keepers.

Such a division of powers and responsibilities could be achieved on the basis of Articles 72 and 73 of the Constitution – for example, by conducting the division by article of the Criminal Code (or by group of articles, or by chapter).

Below, there is an example of a possible division of the major responsibility spheres of the law-enforcement agencies by article of the Criminal Code.

The apparently “*municipal*” problems are hooliganism (Article 213), deception of customers (Article 200), violation of public order (Articles 116, 118, 121, 130), insult (Articles 244, 245), etc., and also administrative violations.

The sphere of responsibility of the police of a *subject of the Federation* could be the articles of Chapter 18 of the Criminal Code dealing with crimes against sexual inviolability and sexual freedom of the per-

son, Chapter 20 – crimes against minors, Articles 105 and 106 – various types of homicide, etc.

Crimes against justice, terrorism, and actions directed towards a forcible seizure of power represent a natural sphere of responsibility of the truly elite *federal structures*, which are quite few in their number.

For a number of obvious reasons, if there existed a multi-tier structure, the long discussed and acutely necessary restriction and regulation of the interference of the law-enforcement bodies with the activity of economic agents, and the introduction of such an interference (apart from the events strictly limited by the necessity to suppress violent actions) into the framework of existing legislation could easily be materialized. Local and regional services would automatically switch over to the standard regime of checks. The federal service would be physically incapable of “protecting” hundreds of thousands of shops, transport facilities, construction businesses, etc. As a result, there would be a considerable reduction of risks and transaction costs in the country’s economy.

Analysis of relations between the Canadian Federal government and Provincial governments: applications to Russia

This study deals with interactions between the Canadian federal and provincial governments. It includes a description of the legal framework that provides the most efficient structure for supporting productive relations among all branches of government under conditions of market democracy, multiparty system and transparency in decision-making.

In what follows the key case studies reveal the willingness of the Canadian political parties to compromise for the benefit of all Canadians. Most activities are affected by the state of the federal-provincial relations and, therefore, it is of prime importance to harmonize and improve them accordingly. That is why Canada over the years has developed a wide range of experience with regard to inner-governmental relations that is worth studying for all emerging democracies around the world including Russia.

This research reviews major developments and challenges on the federal-provincial scene, and relates them to ongoing issues and trends within the Canadian society. Currently Russia is overseeing major administrative reforms aimed at strengthening the government. To move Russia closer to understanding how the democratic process of deci-

sion-making and problem-solving works at the federal-provincial level in the mature market economy is seen as extremely beneficial. This relates well to demonstrating advantages and efficiencies of elected regional governments as they are right now in Canada over being directly appointed and held accountable to directly to the Central authorities, as is the case currently in Russia.

The most interesting case that illustrates the effectiveness of compromises between various political parties is the analysis of negotiations of the Canadian Liberal Federal Government with Conservative Provincial Governments in the 1980s with regards to Energy problems and the study of conditions under which the New Energy Program (NEP) was implemented. It is considered to be very useful in the context of the current Russian federal relations reform.

3.7. Canadian National Energy Program (NEP) 1980

The return to power of a Liberal government led by Pierre Trudeau in 1980 inaugurated a period during which many of the tensions characteristic of executive federalism erupted in overt conflict. During the early 1980s, the federal government showed an increased willingness to resort to unilateral action in the absence of federal-provincial agreement, notably in the threat to patriate the Constitution and in the introduction of the National Energy Program in 1980.

Between 1973 and 1978, the price of oil and natural gas in Canada rose quickly through agreements reached between the federal government and the producing provinces, but did not reach world levels. By mid-1978 the gap between domestic and international prices had closed to less than \$3 per barrel. In the wake of the 1979 Iranian Revolution, however, world prices increased by 150% and the federal government renounced its intention of ensuring eventual parity between domestic and world prices. This left Canadian prices far below international ones and created difficult strains between Alberta and the federal government.

The 1979 increase in world oil prices aggravated some of the problems Canada already faced. First, it represented a large transfer of wealth from consumers to producers. In Canada this wealth transfer had 2 significant dimensions: a large interregional transfer of wealth from the provinces of Ontario and Quebec (which together accounted

for 58% of domestic oil consumption in 1980) to Alberta (which produced 86% of Canada's oil)¹⁴, and an international transfer of wealth from Canada to the US as a result of the high level of American ownership of the Canadian oil and gas industry.

Second, the rapid increase in international prices made it difficult for the federal government to manage the national economy. It aggravated inflation and strained an equalization payments system (cash payments from the federal government to provincial governments with the objective of offsetting differences in available revenue). It contributed to the federal deficit as well, because the federal government continued to subsidize oil imports to maintain a uniform domestic price across the country. Western Canada produced a large amount of oil, however, the cost to transport this oil to Eastern Canada is expensive. As a result, large amounts of oil were imported into Canada. A rise in international oil prices caused these imports to be expensive. The government's policy proposal was an attempt to shelter the Canadian economy from high import costs.

The increase in the world oil price, however, also represented an opportunity to achieve a higher level of oil self-sufficiency through the development of high-cost oil in the frontier and increased synthetic production from the tar sands.

In 1980 the federal government introduced the National Energy Program¹⁵. Its objectives were to increase Canadian ownership of the oil industry, to achieve oil self-sufficiency and gain a greater share of energy revenues. Although all 3 objectives were controversial to some degree, the third aroused the most debate because it raised the concerns of the producing provinces and the oil industry that "their" revenues would be reduced if the federal government increased its share. The means chosen to advance the NEP's objectives also proved contentious because they represented an unprecedented degree of federal intervention and were imposed without prior consultation with industry or with the producing provinces.

For example, to "Canadianize" the industry, the federal government introduced a tax to fund acquisitions for government company Petro-

¹⁴ François Bregha The Canadian Encyclopedia.

¹⁵ Canada, Department of Energy, Mines and Resources, The National Energy Program (1980).

Canada and favored Canadian-owned companies when distributing exploration grants. In addition, the federal government continued to hold domestic oil prices below international ones. Finally, to achieve oil self-sufficiency, the government sponsored expensive frontier exploration and instituted a system of grants to encourage consumers to conserve energy and switch to alternative fuels.

The first goal of the NEP was to have Canadian energy security by 1990, but focused primarily on oil because Canada was self-sufficient in natural gas. Oil self-sufficiency would be accomplished through the expansion of domestic oil production, oil conservation, the use of alternate energy sources, and a reduction of oil imports. By making Canada completely self-sufficient in terms of oil, Canada would not have to rely on the world oil market and potentially high prices.

The second goal was to redistribute revenue from the industry and lessen the cost of oil for Eastern Canada. Redistribution would move the federal government's revenue share from 10% to 25%, leaving the oil producing provinces with 43% and the industry with 33%¹⁶. To lessen the oil cost for Eastern Canada, a blended pricing scheme would also be introduced. A second factor behind the NEP's formulation was rooted in nationalist views within Canada and Canadianization. Concern over foreign ownership in Canada was not new and there was fear of losing Canadian control of the oil and gas industry. Continued control of the industry by foreign owned companies would allow them to dictate the pace of growth for Canada's oil and gas industry while threatening Canada's sovereignty over the industry. Foreign-owned companies are also more apt to employ foreign managerial staff and use less Canadian products as opposed to foreign products. Two main methods exist to counter foreign control: increased regulation and greater Canadian ownership¹⁷. Ottawa pushed for both in the National Energy Program. Increased domestication of the oil and gas industry could be met by increasing domestic oil production in places such as Western Canada and Atlantic Canada. Moreover, by increasing Canadian participation in the industry and lessening foreign ownership, Ottawa would begin to

¹⁶ David Leyton-Brown, *Weathering the Storm: Canadian-U.S. Relations, 1980-83*. Canadian American Committee, 1985, p. 26.

¹⁷ Edward A. Carmichael and James K. Stewart. *Lessons from the National Energy Program*. C.D. Howe Institute, 1983, p. 25.

receive the benefits of higher oil and gas prices as opposed to foreign owned companies and gain direct control of the industry.

The third goal of Canadianization was the most controversial. Its primary purpose was to increase Canadian participation in the oil and gas industry by reducing foreign ownership and gaining Canadian control over large foreign owned firms. To do this, the NEP would restrict permits for production in Canada to only those companies with at least 50% Canadian ownership. Moreover, grants would be given out to Canadian firms in a program called the Petroleum Incentives Program (PIP). The PIP would give out subsidies to oil and gas firms based on their percentage of Canadian ownership. All firms would also be required to purchase Canadian goods and services for oil and gas production and exploration. This aspect of the National Energy Program would leave Ottawa in complete control over the industry. Crown corporations such as Petro Canada were labeled to take a more active role in this industry and a special tax was to be created to help Ottawa purchase foreign-owned firms. A Crown Interest provision was also introduced which calls for any company holding an oil or gas lease, whether Canadian or foreign owned, to pay 25% interest on the lease to Ottawa. The controversial part of this interest provision was the fact that it applied to both future and current developments. Developments that were already discovered, but not in production would still be subject to the interest.

Even though the National Energy program was a Liberal initiative, it was strongly supported by the NDPs. The national Progressive Conservatives, under leader Joe Clark, opposed the Program.

The introduction of the National Energy Program (NEP) in the October 1980 federal budget followed a series of unsuccessful meetings between provincial Conservative government of Alberta and the federal Liberal government to arrive at a mutually agreeable energy policy. These discussions focused on the price at which oil and natural gas products should be sold and the appropriate distribution of economic rents (between Ottawa, the producing provinces and industry) generated by oil and gas sales. Pricing, revenue sharing and, ultimately, control of natural resources were not new issues-they had plagued relations between Alberta and the federal government after the

oil price shocks in 1973 and 1979. Never before, however, had they been so bitterly contested.

These contentious negotiations are better appreciated and understood by placing them in the larger Canadian constitutional and political context. As Cairns notes, "One way in which Canada is unusual as a federation is the degree of power of the provincial governments over natural resource policy"¹⁸.

Whereas the commerce clause in the U.S. has been interpreted to give the federal government a wide range of power over natural resources, Canadian provinces have asserted their right to control natural resource management by relying especially on section 109 of the constitution, which stipulates that "All Lands, Mines, Minerals and Royalties belonging to the several Provinces of Canada...shall belong to the several Provinces..."¹⁹. However, the federal government in Canada has justified its influence in natural resource policy by its constitutional power to "regulate trade and commerce" and to raise money by "any mode or system of taxation". Given these federal and provincial constitutional powers and the constitutional prohibition against one level of government taxing the other level (section 125), along with the reality that resource management, trade, and taxation are interdependent, there is potential for conflict²⁰.

Not surprisingly, prior to the 1970s there were periodic disputes between the federal government and the provinces over natural resources. For a variety of reasons, though, these disputes were not as persistent or vitriolic as they were in the 1970s and early 1980s, when rising oil and gas prices would lead to the clash between energy producing provinces, particularly Alberta, and the federal government.

Canada's executive-centered form of parliamentary government and the lack of effective provincial representation in the federal parliament

¹⁸ Cairns, Robert D. 1992. "Natural Resources and Canadian Federalism, Decentralization, Recurring Conflict and Resolution". *Publius* 22: 55–70.

¹⁹ Section 109, which was included in the original constitution of 1867, was extended to the Prairie Provinces by way of constitutional amendment in 1930. Thus, from the time the Prairie Provinces joined Confederation (Manitoba, 1871; Alberta, 1905 and Saskatchewan, 1905) until 1930, the federal government had managed resources in these provinces.

²⁰ Cairns, Robert D. 1992. "Natural Resources and Canadian Federalism, Decentralization, Recurring Conflict and Resolution". *Publius* 22: 55–70.

also help to explain why such disputes are carried out through intergovernmental bargaining. In contrast to the United States, for example, senators in Canada are appointed by the prime minister and representation in the Senate is based on a regional distribution of seats, which particularly disadvantages the western provinces. Energy conflict is usually played out between the federal government and the provinces because of strong regional distinctiveness in Canada, the relatively small number of provincial governments (ten), the constitutional powers of the provinces, executive-dominated parliamentary government, and the lack of effective provincial representation in the federal Parliament.

Against this political and constitutional backdrop, it is easy to understand how rapidly rising oil and gas prices in the 1970s could lead to acrimonious bargaining between the federal government and Alberta. The federal government's desire to control oil and gas pricing and to capture a greater percentage of the rents flowing from the sale of oil and gas stemmed from its political need to balance "producer" and "consumer" provincial interests and to ensure that the treasuries of some provinces did not grow so large relative to the federal government that it would be impossible to formulate effective national policy in any policy area. On the other hand, Alberta's political need to control pricing and retain resource rents derived from Conservative Premier Peter Lougheed's desire to use resource rents to diversify and decentralize Alberta's economy.

Alberta had the large and expanding Heritage Trust Fund (\$14.4 bln in 2006) that provided economic security. On the other hand, the Liberal's 1980 election victory and the perception that it had little western support to lose made the Liberal Federal government equally confident and unwilling to make concessions. Furthermore, federal officials advocated a tough approach towards Alberta.

Natural gas export tax

Alberta officials were suspicious that the federal government would not conduct "real" negotiations until Ottawa had unilaterally changed the rules on revenue sharing. Under the existing rules, Ottawa was left with a weak negotiating base (less than 10 percent went to the federal government with the rest being split about equally between the

producing provinces and the producing companies)²¹. Much of the contention over revenue sharing centered on Alberta's income from the sale of natural gas (about \$8 bln annually by 1980), particularly the revenue it derived from natural gas exports to the U.S.

The Alberta government had adamantly opposed an export tax on natural gas proposed by the federal Conservatives in 1979 and continued to oppose such a tax when proposed by the Liberals. Federal intentions toward gas export revenues were described by Lougheed as tantamount to a "declaration of war". Alberta's energy minister, Merv Leitch, declared that provincial control of Lands, Mines, Minerals and Royalties set out in sec. 109 of the British North America (BNA) Act (extended to western provinces in 1930) and the provincial ability to make laws in relation to "the management and sale of the public lands belonging to the province" (sec. 92 (5)) gave the provinces broad power over natural resources, including the ability to determine the prices at which those resources were sold and to control the revenue derived from those resources.

By this time, however, the Liberals' new energy policy had already been decided upon. The National Energy Program was announced as part of the budget on October 28, 1980. One of the NEP's objectives was to increase the federal government's share of oil and gas revenues to 25 percent. This would be accomplished primarily by two controversial taxes—an 8% Petroleum and Gas Revenue Tax (PGRT) on net revenue and a Natural Gas and Gas Liquids Tax (NGGLT) of 30 cents per 1000 cubic feet.

The governments of Alberta and British Columbia have strongly opposed a natural gas export tax. They have argued that such a tax is an intrusion on the resource ownership rights. The Government of Canada rejects these arguments. There is no doubt of the federal government's constitutional right to impose export taxes on any commodity. To deny this is to attempt to extend provincial powers well beyond their present constitutional limits²².

²¹ Foster, Peter. 1982. *The Sorcerer's Apprentices: Canada's Super-Bureaucrats and the Energy Mess* p.165. Toronto: Collins.

²² Government of Canada. 1980, 33–34. *The National Energy Program*. Ottawa: Supply and Services.

The federal government provided the oil export tax introduced in 1974 as an example of its taxation power, but declared there was a need for “flexibility” so the government was “not proceeding with a natural gas export tax”. The federal government introduced an amendment to the Excise Tax Act that provided that a tax “shall be imposed, levied and collected on the receipt of marketable pipeline gas by a distributor”. The tax was binding on the Crown in the right of Canada or of a Province. An exporter who had not paid tax was deemed to be a distributor and to have received the gas at the time of export.

Albertan premier Lougheed (Conservative) claimed that the NEP was “an outright attempt to take over the resources of this province” and Energy Minister Leitch condemned the NEP as a “massive and discriminatory attack on Alberta”²³. The Alberta government had been made aware of most of the NEP provisions during their pre-NEP bargaining sessions and was therefore ready to respond two days later. The Lougheed government announced a three-prong retaliation to the NEP: Alberta would reduce crude oil production over nine months in three stages, with each stage amounting to a reduction of 60,000 barrels a day; the Alberta government would withhold approval of the Alsands and Cold Lake mega-projects; and, finally, Alberta would launch a constitutional challenge to the natural gas export tax.

The Alberta Exported Gas Tax Reference

Once it became clear early during the pre-NEP negotiations that the Liberals were planning to introduce a natural gas export tax, a committee formed by Premier Lougheed to develop methods of fighting “Ottawa’s intention to takeover natural resources” conceived of a constitutional challenge to such a measure. The scope of this legal challenge was purposely kept quite narrow. Using its Reference power, the Alberta government would ask its Court of Appeal if a federal tax on natural gas owned solely by the Province of Alberta and sold directly to a company in the U.S. was ultra vires by virtue of sec. 125 of the BNA Act, which prohibited one level of government from taxing another level of government. By September 1980 the Lougheed task force had carefully prepared a factual background for the test case by choosing a piece of government-owned land in the Smith Coulee area.

²³ James 1993, 36; Globe and Mail 3 November 1980, A1.

Therefore, very soon after the announcement of the NEP, the Alberta government was prepared to refer to Alberta's Court of Appeal the question of the constitutionality of the NGGLT as applied to exports of provincially-owned natural gas. Under its Constitutional Questions Act, the Alberta government directed the Court to make its decision on a strategically specified set of facts. The Court was asked to assume that during the month of September 1980, the Province of Alberta drilled a well on land owned by the Crown in the right of Alberta that resulted in the production of natural gas in commercial quantities. The Court was also to assume that the Province of Alberta entered into commercial agreements to have the said natural gas gathered, compressed, and processed and then to have it transported by a natural gas pipeline for export sale by the Province of Alberta to a purchaser in the U.S. The natural gas pipeline was to be assumed to be wholly within the Province of Alberta extending twenty miles to the USA, Montana border and was unconnected with any other pipeline in the Province. Finally, the Court was asked to assume that "the Province of Alberta maintains sole ownership of the said natural gas until it is delivered to the purchaser on the State of Montana side of the border" (*Reference Re Proposed Federal Tax, 71*).

The Alberta Court of Appeal released its decision in March 1981. In a unanimous (5–0) per curiam decision, the Court declared the federal natural gas tax ultra vires as it applied to the specific fact situation contained in the Reference. The Court considered the natural gas tax to be for revenue raising purposes only and not a regulatory instrument; therefore, the tax did not fall under the ambit of the federal "trade and commerce" power (*Reference Re Proposed Federal Tax, 54–57*). The Court rejected the argument that the province was not protected by sec. 125 because the tax applied to a transaction or movement. The Court claimed that the proposed tax "differs little from a tax on the property itself. We do not agree that the plain purpose of sec. 125 can be avoided by such a simple device" (*Reference Re Proposed Federal Tax, 60*). Finally, the Court rejected the federal argument that the amount of "industry" applied to commercially sell the gas removed Alberta from the protection of sec. 125. In doing so, the Court rejected the federal "extreme case" argument that warned of the province

nationalizing all enterprise within its borders to escape federal taxation (*Reference Re Proposed Federal Tax*, 65–66).

The federal government's response to the decision was low key and indicated that the decision would likely be appealed to the Supreme Court. Leitch observed that the decision was strong by virtue of its unanimity, but he refused to speculate publicly what effect the decision would have upon negotiations that were scheduled to start with the federal government on April 13 in Winnipeg²⁴.

The September 1981 Energy Agreement

The initial meeting in April provided the basis for further negotiations throughout the summer of 1981 that culminated in the September 1, 1981 Energy Agreement. The principle trade-off in the deal was that the federal government dropped the natural gas export tax and Alberta dropped the tie-in to world oil prices. The federal government actually stipulated it had the right to tax gas exports, but the tax rate was set at 0%. Alberta, in the face of the unfavorable status quo introduced by the NEP, had managed to end the taxation of gas exports and had gained federal affirmation of the provincial ownership of natural resources.

Alberta's decision to engage in micro-constitutional politics in the Exported Gas Tax Reference suggests that theories of why interest groups litigate (or do not litigate) can help us understand why governments sometimes opt for strategic litigation as a political tactic.

An important predictor of interest group use of litigation is the relative distribution of legal and political resources between the two opponents. Before the NEP was announced, Alberta believed it had superior political resources in the form of the Alberta Heritage Trust Fund, the unconventional oil mega-projects and superior political leadership. Litigation would not be a preferred option. Once the NEP was implemented, however, the Alberta government found itself in an inferior political position responding to a policy that dramatically shifted control of resources to the federal government.

The Alberta government also realized that its political countermeasures to the NEP had their limitations. Withholding approval of the unconventional oil mega-projects was described as a "paper threat". The oil production cutbacks were "troublesome and difficult" and made

²⁴ Zacharias, Yvonne. "Federal Gas Tax". *Calgary Herald*. 1981, 21 March, A1–A2.

less threatening by the plentiful amount of oil available on world markets. Regardless, neither of these two responses specifically addressed the gas export tax. As for a political response to the gas export tax, the Alberta government rejected cutting back natural gas production. Unlike the oil industry, the natural gas industry was dominated by small and midsize Canadian firms, thereby making a gas production cutback even more politically and economically risky than the oil production cutback.

The Alberta government found itself trying to battle a tax it had vigorously objected to during the summer of 1980 with few viable political options. This led the Lougheed government to perceive its political resources to be nearly zero on this issue vis-avis the federal government.

The Supreme Court's division of powers jurisprudence in the decade preceding the NEP also likely contributed to the decision to undertake litigation. The balance found in the Supreme Court's division of power decisions throughout the 1970s and early 1980s-both quantitatively and qualitatively likely encouraged litigation by offering a reasonable chance of success. Notwithstanding periodic provincial calls for input into the selection of provincial superior court judges and Supreme Court judges, Alberta and the other provinces had reason to believe that federally appointed judges to the Supreme Court and the provincial appellate courts were sufficiently independent when rendering federalism decisions to make victory possible. While believing it had little to lose, the Lougheed government hoped to gain political resources through a successful court challenge to the gas export tax.

The reference mechanism offers governments in Canada distinct advantages in using strategic litigation that interest groups do not enjoy. It allows governments to avoid the requirement of standing because it authorizes governments to refer questions of law to the courts. The Alberta Exported Gas Tax Reference demonstrates that the reference power gives governments greater ability to manage and control test cases than interest groups enjoy. Alberta's prompt legal response to the NEP, for example, illustrates the capability governments have to control the timing with which cases are brought to the court through the reference procedure. A related advantage of the reference procedure is that it allows provincial governments to have

immediate access to their courts of appeal and the federal government to have immediate access to the Supreme Court. Avoiding the trial stage of the judicial process reduces unpredictability and expenses for governments undertaking litigation.

Alberta chose to go to the courts during a period of intense conflict over energy issues with a regular opponent-Ottawa. Alberta had been struggling with the federal government over energy policy since at least the early 1970s at both the bureaucratic and political levels. During this time Alberta had been adamantly opposed to an export tax on natural gas.

On the other hand, the framework may also help to explain why governments-with easy and flexible access to the courts and the organizational resources necessary for litigation-do not always choose litigation as a strategy. Normally both levels of government are endowed with generous political and legal resources, which often make their ratios of political to legal resources quite similar. Furthermore, long periods of intense conflict as existed between Alberta and the federal government for most of the 1970s and early 1980s are unusual. With the onset of depressed oil prices, for example, Alberta and the federal government subsequently found themselves cooperating rather than fighting over energy policy.

The Exported Gas Tax Reference, however, is also partially explained by the relationship between micro- and macro-constitutional politics; that is, the interdependency between litigation and formal amendment as methods of altering constitutional rules. Alberta's decision to litigate as a response to the NEP can be seen as a reflection of Alberta's failure to obtain formal constitutional amendments at the macro level that would have strengthened its control over natural resources. In its 1978 constitutional position paper, the Alberta government noted that the producing provinces were frustrated by the federal government's decision to make provincial royalty payments nondeductible for federal income tax purposes and the federal government's decision to join the Canadian Industrial Gas and oil Limited Company (CIGOL) as a co-plaintiff challenging the constitutionality of Saskatchewan's resource legislation. Alberta called for the strengthening of sections of the BNA Act protecting provincial ownership and control of natural resources. The Alberta government

also recommended that the BNA Act be clarified to reaffirm the provinces' ability to tax and collect royalties from the sale and management of natural resources. The Alberta government also called for a special "Constitutional Court" representative of all regions whose members would be selected by the federal government from lists of candidates supplied by the provinces. Alberta's position stemmed from its general concern over centralist decisions by the Supreme Court and, more specifically, because of Alberta's suspicion that the federal government was wresting resource control away from the provinces through the Supreme Court). Had Alberta achieved these macro-constitutional objectives, these enhanced constitutional resources presumably would have deterred Ottawa from introducing the NEP. Once the NEP was announced, Alberta's only remaining option was to try to achieve a similar outcome through litigation, i.e. micro-constitutional politics.

One of the reasons Alberta and other producing provinces called for the formal strengthening of their constitutional control over resources in 1978 was because of the Supreme Court's 1977 CIGOL decision that ruled part of Saskatchewan's province resource legislation to be unconstitutional. The CIGOL decision also cast doubt upon the constitutionality of Alberta's resource legislation. The Alberta government had intervened to support Saskatchewan's provincial government position in CIGOL and subsequently responded to this "loss" at the micro-constitutional level by recommending formal constitutional change.

To summarize, Alberta's decision to litigate can be understood as a response to a bitterly contested and long-standing political conflict with the federal government in which the province had little political leverage (partly because it had not been successful in getting formal changes to the constitution), but had the organizational resources to undertake litigation and the potential for success with section 125 of the BNA Act. Furthermore, the reference procedure gave the Alberta government easy access to the courts and the ability to manage the litigation process.

Effectiveness

When negotiations to settle the energy stalemate began in April 1981 the Alberta government found itself in an inferior bargaining position

responding to a new, unfavorable status quo introduced by the NEP. With the exception of its constitutional challenge, Alberta's responses to the NEP were proving ineffective. The oil production cutbacks were proving more harmful to Albertans than other Canadians and withholding approval of the mega-projects was described as an obvious "paper threat" by Alberta government insiders. Also, the Alberta government was fighting a policy that enjoyed widespread popularity among the public, especially its Canadianization feature.

Nevertheless the federal government also faced pressure to arrive at an agreement. A deteriorating economy, rising interest rates, the need to prepare a fall budget, and central Canadian consumers unhappy at paying more for imported oil contributed to the federal government's willingness to negotiate.

The Alberta government also explored other options to effectively utilize the Court of Appeal decision. A week after the Court's decision, Leitch told delegates at a Progressive Conservative convention in Calgary that the province could possibly take its royalties in the form of gas instead of money, thereby making all gas within the system the potential property of the province to be protected by sec. 125²⁵. Thus, while the federal government thought it unlikely that the Alberta government would nationalize the oil and gas industry, it is clear that the federal government could not dismiss the possibility that the Lougheed government would make every effort to use the Court of Appeal decision to avoid paying the gas export tax.

Suffice it to say that the constitutional decision gave the Lougheed government legal resources that could be used as political resources in bargaining with the federal government. Alberta entered into negotiations in April 1981 with a relatively weaker negotiating base than the federal government, yet emerged with a compromise energy agreement that reaffirmed provincial ownership of resources, featured higher prices and, most importantly, effectively eliminated the gas export tax. Alberta and other provinces then succeeded in having provincial control over the exploration, development, conservation, and management of non-renewable resources explicitly entrenched in the constitution (sec. 92A) during the negotiations that led to the patriation of the constitution in 1982. Although sec. 92A would not directly prohibit

²⁵ Byfield, Ted. 1981. "The McGillivray Decision". Alberta Report (March 27).

the federal government from imposing another export tax, it provides a legal and symbolic context that would likely make it more difficult for the federal government to impose another such tax.

The long-term impact of Alberta's litigation efforts was consolidated further by the Supreme Court's 1982, ruling in the Exported Gas Tax Reference, which upheld the Alberta Court of Appeal decision. Alberta claimed that it would change the structure of natural gas ownership in the province if the federal government tried again to collect a gas export tax after the Energy Agreement expired in 1986.

An understanding between Alberta and Ottawa was only reached when the federal government substantially altered the NEP's pricing and taxation provisions to bring domestic prices closer to world levels. Although this agreement put an end to the political conflict, it failed to bring stability in energy policy.

Adjustments to the NEP and provincial fiscal regimes were required almost immediately in response to the 1983 drop in world oil prices, the fall in gas exports and the recession. The 1984 election of a market-oriented Conservative government led to more dramatic changes as most of the NEP's interventionist policies – price controls, consumer subsidies, exploration incentives, production taxes and the 25% crown share on federal lands, or “back-in” – were gradually eliminated.

Although both the oil industry and the western provinces welcomed these changes, they soon had to confront an even greater threat than the NEP: the 50% drop in world oil prices in 1986. The collapse in international prices forced the cancellation of energy investments across the country and battered the economy of the western provinces. It also led to renewed calls for government intervention to stabilize prices and revenues.

3.7.1. Analysis of the conditions under which NEP was dismantled

There were three main reasons why NEP was finally abandoned. First it was rancour in federal-provincial relations. Secondly, the world oil prices collapsed. Lastly, there was strong pressure from the USA against NEP.

The NEP was introduced in the wake of the energy crises of the 1970s, and was designed to promote oil self-sufficiency for Canada,

maintain the oil supply, particularly for the industrial base in Eastern Canada, promote Canadian ownership of the energy industry, promote lower prices, promote exploration for oil in Canada, promote alternative energy sources, and increase government revenues from oil sales through a variety of taxes and agreements. At the status quo even with transfer/equalization payments, there was still a flow of wealth from the eastern oil-dependent provinces, particularly Ontario and Quebec, to the western oil-producing provinces.

The program was extremely unpopular in Western Canada, where most of Canada's oil is produced, and heightened distrust of the federal government, especially in Alberta, British Columbia and Saskatchewan. Many Albertans believed that the NEP was an unjustified intrusion of the federal government into an area of provincial jurisdiction and was designed to strip their province of its natural wealth. By keeping the oil prices below world market prices, it was essentially subsidizing the eastern provinces. The NEP's Petroleum Gas Revenue Tax (PGRT) instituted a heavy double-taxation mechanism that did not apply to other commodities, such as gold, copper, etc. The prices of these commodities were also escalating rapidly at the time.

In federal elections held in September 1984, the Progressive Conservative Party won a landslide victory, and its leader, Brian Mulroney, became prime minister. Mulroney had campaigned against the policy in the 1984 election. Mulroney's approach to government differed greatly from that of Trudeau. In federal-provincial relations he sought to avoid the bitterness and rancour that had marked Trudeau's dealings with the provincial premiers. Accords were negotiated with Newfoundland and Alberta that ended the crisis over federal energy policy and dismantled the NEP.

In November 1984 Mulroney's finance minister, Michael Wilson, announced that the government would adopt a new approach to economic and fiscal matters to encourage private, including foreign, investment, to bring down the national debt, to review social programs, and to privatize crown corporations.

High prices, off-oil switching by consumers, and the worst recession to hit the Western world since the 1930s had reduced world oil demand by more than 8% in two years. Large new oil supplies in the North Sea, Alaska, Mexico, and else where had loosened OPEC's monopoly grip

and its ability to seemingly command what it wanted for its oil. Inventories of oil, bulked up because of jitters over possible further disruptions to Middle East oil supplies, were now being drawn down at rates up to four million barrels a day, adding more downward pressure on prices. Instead of climbing to \$80 a barrel as expected, the price of oil was on a steady eight-year skid from nearly \$45 to \$19 per barrel.

On March 28, 1985 Carney, Mulroney's energy minister and the energy ministers of the Western provinces signed the Western accord. It abolished oil and gas price controls, effective June 1. Five federal NEP taxes were abolished immediately, while the annual 82.5-bln petroleum and gas revenue taxes were phased out over 3.5 years. No more PIP grants were to be issued, but those already approved were continued. Tax incentives to some extent replaced the PIP grants and ended the PIP discrimination against foreign investment and exploration expenditures in Western Canada. PetroCanada's contentious 25% back-in privilege on Canada Lands was abolished. The changes were expected to cost the federal treasury half a billion dollars in 1985 but add \$3 bln to oil company revenues. The industry gains didn't last long: the following year, the now decontrolled benchmark price for Canadian oil, in step with world prices, collapsed from \$37 to \$20.

A high degree of interdependence exists between Canada and the United States making it essential to have effective management of the relationship. To effectively manage a relationship such as the one between Canada and the US, both procedure and substance must be maintained. Procedure requires good communication traits such as prior notification, consultation, and accommodation. Substance reflects a balance between national and joint interests. Both must be taken into account during policy formulation to solve problems of differing opinions.

Both U.S. corporations and the U.S. government were unhappy that the Canadian government was attempting to increase Canadian influence in the oil industry. Over the next several months after NEP introduction, several bills surfaced in the U.S. Congress aimed at pressuring the Canadian government to rethink its new energy program.

The US took its strongest stance against the third policy goal of the NEP, Canadianization. They felt not only did items such as the Petroleum Incentives Program (PIP) grants and the purchasing of Canadian

goods and services discriminate against US firms, but it more importantly violated international standards concerning foreign investment as set out in the General Agreement on Trade and Tariffs (GATT). Canadian suppliers of goods and services would be favored and the principle of national treatment would therefore not be applied. In 1980's about 2/3 of all Canadian international trade was with the USA.

The first main approach taken by the US in response to the NEP was through diplomacy and bilateral negotiations. The US attempted to broaden the agenda for the diplomatic talks by grouping objections to the NEP with previous objections to the Foreign Investment and Review Agency (FIRA). Frustrated with poor negotiations, the US began expressing its concerns over the NEP with public pronouncements and diplomatic correspondence that not only outlined concerns, but also addressed how Canada could alter its policy to align with US views.

Once it was clear what the US concerns were, however, Canada took a contrasting role to its usual flexible position by standing firm in its position showing its lack of willingness to accommodate.

The US also pursued a multi-lateral approach in hopes to alter the Canadian policy. Their claims that Canadianization deviated from the principle of national interest were brought before OECD committees. The US argued that Canada's failure to adhere to the principle would undermine the OECD and its future growth by lessening its acceptance by developing countries.

The US also lodged a complaint with the International Energy Agency (IEA) over questions about the NEP's pricing, taxation, and production policies. One of the fundamental principles of the IEA is a reliance on market forces in an effort to increase production in energy sectors. The US argued that regulations in the NEP violated the outlined market forces principles. Finally, the US asked for an international panel to give a binding decision on whether the NEP violated the principle of national treatment as outlined in the GATT articles. A decision was reached that in fact the NEP did contradict principles of national treatment leaving Canada with little choice but to modify the NEP to allow for Canadian goods and services to be assessed on a competitive basis with other suppliers first. Aside from this minor alteration of the NEP, the multi-lateral approach did little to alter the Canadian policy.

After strong Canadian resistance to change in the NEP in bilateral negotiations and multi-lateral disputes, the US resorted to unilateral retaliation threats. The administration's first threat was to rewrite the AutoPact that had been negotiated with Canada. Following this, the US stated that Canada was not living up to its international trade commitments and would not be allowed to participate in the International Trade Ministers meeting scheduled for January 1982²⁶.

The administration's threats were never turned into action however and Canada was allowed to attend the meeting. The US Congress was the second body to threaten Canada when it felt the administration was having no effect on altering the NEP and Canadian takeover attempts began hurting US firms in Canada. Congress maintained the position that the administration was too weak and began issuing legislation aimed to aid US companies suffering from the NEP. In addition, Congress threatened to deny Canadian firms access to leases for oil and gas production on US federal lands with the establishment of a US agency replicating Canada's FIRA to screen foreign investment²⁷. This issue rolled into a larger policy struggle between the executive and legislature because denying leases could be seen as being painful for the US as well. The feeling that retaliation would end up hurting US interests became eminent and no retaliatory actions stemmed from the various threats.

The Americans understand that the Canadian NEP diverted oil away from their markets to Ontario manufacturers, thus both denying American industrial customers a crucial source, and unfairly subsidizing Canadian manufacturers with below-market prices for oil. They are also cognizant of the fury that continues to reside in Alberta in the wake of the NEP.

The Canadian auto manufacturing industry far outperformed the American auto industry in the 1980s mostly as a result of this energy subsidy, and lucrative Canadian jobs were created at the expense of American jobs. This result was what initially created the American's demand for a Free Trade Agreement with Canada, the crucial electoral

²⁶ Leyton-Brown, David. "Weathering the Storm: Canadian-U.S. Relations", 1980-83. Canadian American Committee, 1985.

²⁷ Wonder, Edward. "The US Government Response to the Canadian National Energy Program", Canadian Public Policy (1982).

issue in the federal general election of 1984, which swept conservative Brian Mulroney to power.

Canada not took the US interests into account in the NEP's formulation. As a result of ineffective relationship management, the special relationship between the US and Canada declined and problems arose over the NEP's creation.

The Conservatives, condemned the NEP in both theory and practice for deterring foreign investors and for giving Canada an inhospitable reputation throughout the business world. After his election in September of 1984, Prime Minister Mulroney began actively pursuing renewed liberal trade ties with the United States. He promised to remove FIRA and replace it with the Investment Canada Act so as to attract new foreign capital, especially U.S. investment, to Canada. Foreign investment means foreign capital and that makes for an expanding economy which can only benefit Canada, argued the Conservatives.

The NEP, one of the most sweeping government policies ever undertaken in Canada, was completely dismantled by the Progressive Conservatives after their 1984 election victory. Although the NEP did reduce Canadian dependence on oil and foreign ownership of the oil industry, its legacy also was one of distrust of the federal government by the western provinces.

Analysis of Conservatives and Liberal's position toward the Kyoto protocol and the future of coal and nuclear electricity generation stations in Canada

The Kyoto Protocol is an agreement made under the United Nations Framework Convention on Climate Change (UNFCCC). Countries that ratify this protocol commit to reduce their emissions of carbon dioxide and five other greenhouse gases, or engage in emissions trading if they maintain or increase emissions of these gases.

Canada was among the first countries to ratify the 1992 Framework Convention on Climate Change (FCCC), under which it committed itself to reducing its greenhouse gas emissions to a level 6% below that of 1990 within the time period 2008–2012. Canada ratified the Kyoto protocol in 2002.

All countries are not treated equally by Kyoto. Canada, for instance, has committed to reduce its greenhouse gas emissions by 6%. The U.S. target was 7% reduction. But in 2001, one of the first acts of

newly-elected President George W. Bush was to formally withdraw the U.S. from Kyoto. The U.S. would not ratify the treaty because it would damage the U.S. economy and major developing nations like China and India were not covered by its provisions.

Much of the criticism around the Kyoto Protocol is over political realities and the limitations of the treaty. Critics say 5% cut will accomplish little, especially with the United States as not a participant. Some Canadian critics say our economy will pay a heavy price for meeting our Kyoto commitments because we'll have to compete with an American economy that faces no such restrictions.

Alberta Conservative Provincial Government files a formal objection to the federal government's plans to implement the Kyoto accord and reduce greenhouse gas emissions. Alberta has long opposed the Kyoto accord, saying it will hurt the province's lucrative oil and gas industry. Provincial Environment Minister Guy Boutilier says that Alberta should be allowed to put its own legislation in place to regulate greenhouse gas emissions.

A barrel of oil from bitumen produces about two to three times the carbon from conventionally pumped oil. By 2020, 80% of Canada's oil will come from the tar sands (mostly from Alberta). Alberta has the second largest proven oil reserves in the world with 176 bln barrels, of which 174 billion barrels are bitumen reserves. With improvement in technology that number could reach 300 bln barrels or more in years to come²⁸. Production from the oil sands – which now supply about one million barrels of crude oil a day – is now on its way to four million barrels by 2015.

If nothing is done to radically change the capturing of carbon from producing all that oil, Canada's greenhouse gases will rise, and rise sharply. The Natural Resources Canada reports, that the future mix of oil in Canada will be he heavier, thereby requiring more processing, which, in turn, will produce more emissions.

²⁸ 2005/2006 Annual Report, Ministry of Energy, Alberta, Canada.

Table 3

**Ranking of Canadian Provinces by Total
of All Pollution Gases in 2004**

Rank.	Province	Total of All Gases (tonnes-CO2 equivalent)	Percentage
1	Alberta	109,503,697	39.26
2	Ontario	77,273,825	27.71
3	Quebec	22,904,613	8.21
4	Saskatchewan	22,425,303	8.04
5	British Columbia	13,842,489	4.96
6	New Brunswick	12,953,875	4.64
7	Nova Scotia	11,683,931	4.19
8	Newfoundland	5,368,923	1.93
9	Manitoba	2,460,523	0.88
10	Prince Edward Island	107,000	0.04

Source: "Pollution Watch".

Large final emitters make up half of Canada's total CO2 emissions, yet the previous Liberal plan required them to contribute only 13 per cent of the emission reductions needed for Kyoto. The Memorandum of Understanding between the government and automakers contributes only 2 per cent of the emission reductions needed for Kyoto when personal cars and trucks are actually responsible for 10 per cent of Canada's total emissions.

Many doubt that Canada's target cuts could be reached in Kyoto's first phase that ends in 2012. The Kyoto Protocol went into effect Feb. 16, 2005, with 141 countries signing on, including every major industrialized country – except the United States, Australia and Monaco. The U.S. is responsible for about a quarter of the emissions that have been blamed for global warming. Two of the world's biggest – and growing – polluters also have not signed on. India and China don't have to – they're considered developing countries and are outside the protocol's framework.

Canadian Conservative Federal Government (2006) and Kyoto commitments

Canada was one of the first countries to sign the Kyoto Protocol, but Canada's continued participation in Kyoto seemed certain to end with the election of a minority Conservative government on Jan. 23, 2006. Despite good intentions, since 1990 to 2005 the level of greenhouse gases in Canada have risen to 35%, and a part of the party's platform was to ditch Kyoto and come up with new approach to reducing the emissions blamed for global warming.

In April 2005, then prime minister Paul Martin and his Liberal government unveiled what they called Moving Forward on Climate Change: A Plan for Honouring Canadian Kyoto Commitment. Under their revised plan, the Liberals pledged to spend \$10 bln over seven years to help Canada cut its average greenhouse gas emissions by 270 megatonnes a year from 2008 to 2012.

However, when Prime Minister Stephen Harper and the Conservative government tabled the federal budget in May 2006, there wasn't a single mention of the Kyoto Protocol. Finance Minister Jim Flaherty repeated his pledge to develop a \$2-bln, five-year climate change plan, but there were no details. The budget also set aside \$370 mln over two years for a new tax credit that would benefit commuters who buy monthly transit passes.

In September 2006, Environment Minister Rona Ambrose announced that Canada had no chance of meeting its targets under the Kyoto Protocol. She accused the Liberals of wasting \$1 bln on emission-reduction efforts without keeping the country on track to meet its promises under the international agreement. Ambrose said that the government would instead act on greenhouse gases and other pollution with new targets in a proposed clean air act, announced in October 2006.

The Clean Air Act targets would be "intensity-based", meaning that environmental emissions would be relative to the economic output of various industries. That means even though individual emission limits for each barrel of oil or piece of coal could be lowered, if production increases, the overall amount of greenhouse gas emissions and air pollutants could grow.

Critics of intensity-based targets say the approach allows heavily polluting industries, such as Alberta's oilsands, to continue to grow and pollute while remaining under government-imposed limitations. The bill does not set short-term targets to cut greenhouse gas emissions, and its emissions regulations on large polluters don't take effect until 2010.

Greenhouse gases in 2005 rose to 35% above 1990 levels, putting Canada's commitment out of reach. Natural Resources Canada predicted that emissions would be 828 megatonnes by 2010 (758 megatonnes in 2004). Therefore, to fulfill Kyoto, Canada would need to reduce emissions in the next two to six years by 265 megatonnes to 6% below the 1990 level of 599 megatonnes, or 563 megatonnes. That reduction is absolutely impossible. Kyoto targets could be met only by purchasing international credits, but the cost would be billions of dollars. According to current Canadian Environment Minister Rona Ambrose, "electricity prices in British Columbia would increase by 40%, in Ontario by 65%, natural gases prices would increase by over 300% in Alberta and over 130% in Ontario. These are the kind of impacts of enforcing the Kyoto target on Canada's industry today," she said²⁹.

Ms. Ambrose confirmed, companies will be allowed to trade credits between themselves as a way of complying with new mandatory limits on greenhouse-gas emissions. But unlike the Liberal plan, Ms. Ambrose said the Conservatives will not contribute tax dollars to the system, nor will it will purchase any form of international credits. Emissions trading was part of the previous Liberal government's plan to comply with Kyoto, but the plan had yet to be set up when Liberals was defeated in January 2006.

The three opposition parties all support the regulation and trading of carbon dioxide. But the approach would likely be unpopular in Alberta, where the Conservatives hold all the federal seats.

In October 2006 Rona Ambrose, Minister of the Environment, gave Canadians the first and central component of Canada's New Government's environmental Agenda when she introduced Canada's Clean Air Act. The Act and subsequent Notice of Intent to regulate demonstrate a commitment to the establishment of short-, medium- and long-term industrial air pollution targets. These fixed targets would compel polluters to respect emissions limits and will be at least as stringent as those

²⁹ The Globe and Mail, A4, October 6, 2006.

in other leading environmental countries. Short-term intensity based greenhouse gas reduction targets would be set in consultation with provinces and territories and all affected industry sectors. This dynamic approach will ensure better results for the environment.

The Government is committed to achieving an absolute reduction in GHG emissions between 45 and 65% from 2003 levels by 2050³⁰. Greenhouse-gas reductions would be intensity based until at least 2020 before switching to absolute reductions.

Under the Clean Air Regulatory Agenda, over the next twelve months, the Government will introduce new regulations pursuant to the Canadian Environmental Protection Act, 1999 to address air pollutants from certain consumer products and vehicles.

Over the next three years, new regulations, targets and timelines will be discussed and set. They will lead to significant and long-term reductions in air pollution and greenhouse gas emissions from industry, transportation and consumer products, as well as new standards for energy efficiency in a wide range of everyday products and appliances.

The Act also supports expanded use of equivalency agreements with provinces and territories to allow for regulatory cooperation and avoid overlap and duplication. Finally, it gives the Government enhanced powers to monitor polluters and also requires all environmental fines levied for non-compliance go into an environmental damages fund that will be applied directly to cleaning up the environment.

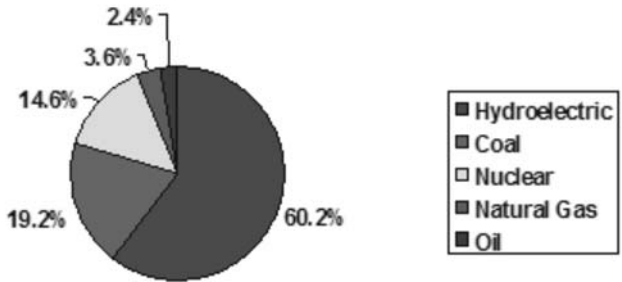
Given Canada's position as an energy-producing nation, those plans may be a realistic recognition that short-term reductions are virtually impossible. Industrial sectors such as coal-fired electricity plants and upstream oil and gas producers churn out more than half of Canada's air pollution and 47% of its greenhouse-gas emission.

All three opposition parties said they would vote against the bill, casting doubt on whether it will ever become law. The bill replaces Canada's commitment under the international Kyoto Protocol to start reducing greenhouse gases by 2008 with a new target to cut such emissions in half by 2050.

Future of coal and nuclear electricity generation stations in Canada

³⁰ Speaking Notes for the Honourable Rona Ambrose, Minister of the Environment of Canada October 19, 2006, Ministry of Environment.

Hydroelectricity accounts for the vast majority of the total power produced in Canada – at least nine out of every 10 megawatt hours in Quebec, Manitoba, Newfoundland and Labrador, BC and Yukon. In contrast, conventional thermal generation, which include coal, natural gas and crude, are the dominant sources of electricity in Alberta, Saskatchewan, NS and PEI.



Source: Statistics Canada, Survey 2151

Fig. 1. Canada: Electricity Generation Fuel Source, 2005

Meanwhile, in Ontario, Quebec and NB, nuclear power is used in addition to hydro and conventional thermal sources, making those provinces the most diverse in terms of electricity orientation. In all regions, non-hydro renewable sources such as wind and solar power account for a small but growing share of generation.

In recent years there has been widespread recognition among provincial-territorial governments, to the need to create energy policy. Most jurisdictions have developed long-term strategies that aim to achieve – among other goals – new suppliers of power, led by “green sources”. For example, in addition to looming at requests for proposals for renewable and natural gas energy projects within its own province, Ontario has been exploring the possibility of developing a large hydroelectricity project in Northern Manitoba in partnership with the neighboring provincial government and may be interested in participating in a development at Lower Churchill in Newfoundland & Labrador.

Above all, there is an acknowledgement by governments – and in some cases backed by initiatives – that a good part of the solution to eliminating emerging gaps between power supply and demand rests in demand-side management (DSM). The objective of DSM is to reduce demand for electricity and/or shift demand from peak to off-peak times.

Ontario will actively use DSM as part of its strategy to address its looming tight supply/demand balance. The province plans to install “smart meters” in 800,000 homes by the year 2008 and in 4 mln homes and small businesses by 2010. The smart meters will record the amount of power consumed and the hours at which it is drawn from the system. The pricing of electricity will be modified to reflect different demand at different times of day. A change in consumption habits would reduce the need for new power plants, which are intended to meet demands at peak periods.

Other provinces also have some DSM initiatives.

Coal-fired generation is a low-cost technology, but generates GHG along with emission of nitrogen oxide, sulphur dioxide and lead. On the plus side, there is effort underway in both Canada and USA to develop new technologies that would greatly reduce the emissions from the burning of coal.

In 2001, the industry, with the support of the governments of Alberta, Saskatchewan and the federal government, formed a coalition to develop projects that will demonstrate the technology that will reduce all emissions in existing facilities or for use in new plants. Phase 1 of that project was completed in 2004. It showed that the carbon dioxide emissions from coal-powered plants could be reduced to the equivalent of those emitted by natural gas power plants. However, the cost will be at least 50% higher than the current rates. The next phase of the project will concentrate on this technology. At the moment, the project appears to be suitable for new projects, rather than for retrofitting existing plants.

Canada holds close to 10 billion tones of coal reserves, more energy than all of Canadian oil, natural gas and oil sands combined³¹. Production in 2004 totaled approximately 66 million tones. Coal provides about 56000 direct and indirect jobs in Canada and contributes approximately

³¹ The Coal Association of Canada, www.coal.ca.

\$5 bln to the Canadian economy. Total domestic consumption for 2004 was 59 mln tones, of which 55 mln tones went to electricity generation. Canada currently has almost 17000MW of coal-fired generating capacity, located primarily in Alberta, Saskatchewan, Ontario, Nova Scotia and New Brunswick. This represents 18% of the country's total generating capacity.

The use of coal in USA and Canada has contributed to environmental problems, particularly that of acid rain. In Ontario about 50% of all air pollution is from the USA (mostly from the coal electricity generating stations) and the rest is mostly from local coal electricity generating stations and auto transport. As a result, some Alberta coal producers have demanded that they supply central Canada, partly because Alberta coal contains 8 times less sulphur (the main ingredient of acid rain) than American coal.

The province contains 70% of Canada's coal reserves and 45% of coal mined in Canada is from Alberta³². However, the counterargument is that Alberta coal is too expensive.

In the past, the mining industry has played an important role in Nova Scotia, both as a source of jobs and as a part of local culture. Today, due partly to the relatively low price of coal on the world market, Nova Scotia Power (NSP) and New Brunswick Power (NBP) rely on imported coal for electricity generation in the region. NSP in particular relies upon coal for 80% of its power generation.

Conservative government of Nova Scotia believes that renewable energy sources can account for an additional 300 megawatts of electrical generation capacity in Nova Scotia. Nova Scotia has one of the best wind power generating regimes in Canada. There are currently commitments to develop about 100 megawatts of wind power in Nova Scotia. It's possible to add another 280 megawatts of wind power, with the proper federal incentives and changes to the transmission system.

Biomass power-generating electricity from the by-products of Nova Scotia vital forestry sector also has great potential³³. Meanwhile, to retrofit a coal plant for natural gas, while it is technologically possible to do so, it is not economic to do so. In Nova Scotia it makes a lot more sense

³² 2005/2006 Annual Report Ministry of Energy, Alberta.

³³ Government of Nova Scotia, Ministry of Energy, Smart Choices for Cleaner Energy – The Green Energy Framework | Announcement October 12, 2005.

to start with a new plant and have it designed to use natural gas. Nova Scotia can also reach its reduction targets through conservation, better use of public transit and retrofit programs, among other things.

The biggest obstacle to shutting down coal-fired generators is the absence of a suitable alternative. The province has no major rivers to produce hydroelectric power and going nuclear isn't an option.

Meanwhile, Nova Scotia's energy strategy is committed to revival of the coal industry in Cape Breton, traditional Nova Scotia coal producer, where the province recently announced it was seeking interest from companies willing to develop the defunct Donkin Mine. If the underground colliery is re-opened, Nova Scotia Power is expected to be a big customer.

3.7.2. Nuclear energy

More than 30 years nuclear energy has contributed to avoid a significant amount of GHG emissions in Canada. Although there are a number of challenges currently facing the nuclear option, it is clear that nuclear is well positioned to continue to play an important role in meeting Canada's energy needs, as well as its air quality and climate change commitments. High oil, gas and coal prices, surging electricity demand, all argue in favour of reassessing of nuclear power. The new generation of reactors is better designed, and more economical to build and operate. It's also better for the environment, because it produces no greenhouse-gas emissions and no air or water pollution.

The federal government was always deeply involved in the development of nuclear energy. The government strengthened its control over uranium resources in 1946 with the passage of the Atomic Energy Control Act, which transferred jurisdiction over uranium from provincial to federal authorities and regulated the production and uses of uranium in Canada. Two important federal crown corporations have been involved in atomic energy: Atomic Energy of Canada Ltd. (AECL) and ELDO-RADO Nuclear Ltd. The former is responsible for nuclear research; the latter for the mining and refining of uranium.

Canada's nuclear energy program was born in 1953 when feasibility studies on the CANDU reactor design were initiated. Although the first commercial CANDU reactor began operations only in 1971 in Pickering, Ontario, by 1980 nuclear energy accounted for 38% of Ontario's elec-

tricity consumption. In 1985 there were nuclear power plants in Ontario, Quebec and New Brunswick.

In Canada, the nuclear energy option grew out of a desire by Canadian electrical utilities to achieve self-sufficiency in base-load electricity supply when imported coal was the only available option. The cost of coal was relatively high in the 1960s and early 1970s, which made the economics of nuclear energy attractive.

The most important benefit of the federal investment in nuclear research and development has been the development of a world-class technology for providing low-cost and reliable electrical energy for base load power needs. Twenty-two CANDU reactors, owned and operated by utilities in Ontario (20), Quebec (1) and New Brunswick (1), provide, on average, about 15% of Canada's electricity (60% Canada's energy is hydro-power)³⁴.

The industry employs about 21,000 people directly and 10,000 indirectly. Canada's nuclear energy production peaked in 1994 at 102.4 TWh, declined to 67 TWh by 1998 as reactors were mothballed, and increased to 85.6 TWh in 2005 due to improved reactor performance and refurbishment³⁵.

In 2005, 17 of 22 CANDU reactors were in service, generating 15% of Canada's electricity. Saskatchewan is the world's largest uranium producer. About 30% of the world's uranium production comes from this province. Recently there has been renewed interest in nuclear energy, spurred by increasing demand (particularly within Ontario), and the desire to comply with Canada's Kyoto Agreement obligations.

The province of Ontario dominates Canada's nuclear industry, containing the vast majority of the country's nuclear power generating capacity. Ontario reactors provide up to 50% of the province's electricity. According to Ontario's Independent Electricity System Operator (IESO), the province faces a significant electricity shortfall in the next few years as coal plants are retired and some nuclear plants reach the end of their useful life. Demand, meanwhile, is expected to grow at an average annual rate of 1% as Ontario's population increases and its economy expands. Meeting this demand is becoming increasingly challenging. Already Ontario's electricity system is showing signs of strain.

³⁴ Natural Resources Canada.

³⁵ Canadian Nuclear Association.

A new all-time record for electricity demand in Ontario was set on 13 July 2005, with demand peaking at 26,160 megawatts (MW). Ontario's existing installed generation capacity is 30,114 MW, though in practice it is not possible to generate this much power at any given moment due to such factors as unscheduled outages, planned maintenance and weather conditions. Ontario has five nuclear stations with a total installed capacity of 14,000 megawatts³⁶. However, in 2005 only 11,400 megawatts were operating. Through the summer, the IESO issued 12 public appeals asking customers across Ontario to reduce their use of electricity. Despite this, the IESO was forced to reduce voltage by 5% on 3 and 4 August in order to maintain the system's reliability. Some industrial and institutional consumers were negatively affected.

Insufficient generating capacity in Ontario has also increased the province's reliance on costly electricity imports from neighboring jurisdictions with which Ontario is interconnected, particularly during periods of high demand. The share of electricity imports as a percentage of Ontario's total electricity consumption has increased in recent years, topping 6% in 2003 and 2004, up from the 3–4% range in the previous six years³⁷.

The current Provincial Liberal government is now seeking a balance between private and public involvement in Ontario's electricity sector and has set up the Ontario Power Authority (OPA) to oversee and guide developments in the coming years. Important new investments in both generation and transmission are urgently needed as the government moves ahead with its plan to shut down the province's remaining coal-fired generating stations in an effort to improve air quality and provide up to half of Ontario's greenhouse-gas reduction contributions under the Kyoto Protocol.

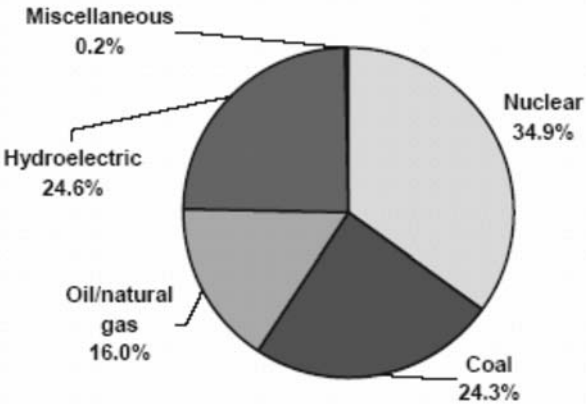
The Government of Ontario has pledged to close all existing coal-fired generating stations by 2009 in an effort to clean up Ontario's air and reduce greenhouse gas emissions, which are linked to climate change. These power plants, and the Nanticoke generating station in particular, are amongst the most important sources of pollution in North

³⁶ Independent Electricity Market Operator. 18-Month Outlook: An Assessment of the Reliability of the Ontario Electricity System From January 2005 to June 2006, January 3, 2005.

³⁷ National Energy Board. Electricity Exports and Imports.

America, releasing significant quantities of smog and pollutants such as sulphur dioxide and nitrogen oxides that cause acid rain. They contribute to making Ontario one of the largest North American sources of chemicals released from industrial activities³⁸.

But facing worrying prospects of a future supply crunch and heightened concerns by business in the province of a substantial jump in power prices, the Ontario government has subsequently softened its position with respect to closing its coal stations.



Source: The IMO (now called IESO)
18-Month Outlook, Jan. 2005

Fig. 2. Ontario: Existing Installed Generation Capacity, January 2005

The Ontario McGuinty Liberal Government made an election promise to eliminate the last of the province's coal-fired generating plants by 2007. The deadline was changed in 2005 to 2009, but still with no plan. Later, second time the government has admitted it will not meet its promise to close the coal plants. The state of Ontario's critically important energy sector is precarious at best. Experts have warned it will take three years to ensure any new sources of energy are brought onstream

³⁸ Commission for Environmental Cooperation of North America, Taking Stock: North American Pollutant Releases and Transfers, Montreal, May 2005.

to replace the coal-burning plants that are to be phased out by 2009. That's a tight schedule. Meanwhile, the threat of power outages in the province is particularly acute. Another hot summer could see much of Ontario threatened with brownouts and blackouts. And that is just one aspect of a far bigger problem.

Any refurbishment of nuclear facilities is subject to a federal environmental review process, as established by the Canadian Nuclear Safety Commission. It takes approximately two years for the environmental assessment to be completed. It can take up to five years to refurbish a reactor and up to 10 years to build a new one. It could be a year or two before the government locks in contracts with Atomic Energy of Canada Ltd. or any other bidder for the projects.

The New Democrats have already indicated they will put up a tough fight if the government decides to rely too heavily on nuclear power in the future. They warn of nuclear power's history of cost overruns and delays. The NDP has also criticized the decision to raise electricity rates to bring them closer to the real cost of production.

In a long-awaited response to recommendations released in December 2005, on how Ontario can avoid a future electricity crisis, Energy Minister Dwight Duncan's plans call for roughly \$70 bln in spending by 2025, including inflation, on a host of nuclear, wind and conservation projects.

That plan would then need the approval of the Ontario Energy Board in a review that could take 12 months – or in other words, three months or more beyond the next Ontario election in October 2007. That means citizens will get to vote on the Liberals' energy strategy even though at that point no new nuclear construction will have yet begun.

The Ontario government's suggestion that it will consider foreign nuclear companies for the construction of new power plants is a bargaining tactic aimed at getting federal government to cover any financial risks of sticking with CANDU technology. Government officials began hinting, that choosing CANDU technology from Atomic Energy of Canada Ltd., a federal Crown corporation, is not a certainty and that reactor designs from countries such as France and the United States will also be explored.

The Ontario Power Authority recommended to the provincial Ministry of Energy that nuclear power remain 50% of the province's energy mix

over 20 years, requiring an estimated \$40 billion be spent to refurbish aging plants and build new ones as coal generators are shut.

But critics said that figure could end up much higher if history repeats itself. For example, the province expected to pay about \$4 billion for the Darlington nuclear station but the price tag surpassed \$14 bln by the time it was completed in the early 1990s. The former Ontario Hydro assumed all the risk.

The Ontario Liberal government has no intention of carrying such a burden again. Getting the federal government to offer upfront subsidies or indirectly guarantee a fixed rate from AECL could be a way for the Ontario government to make new nuclear plants more palatable for taxpayers.

In New Brunswick, Premier Bernard Lord also has suggested the federal government could help it meet its Kyoto targets by contributing \$400 mln toward refurbishment of the Point Lepreau nuclear plant. New Brunswick eventually signed with AECL, but its contract with AECL stipulates that 90% of the cost of the refurbishment be fixed so that Ottawa indirectly covers any unexpected cost overruns.

Such a contract structure is potentially more valuable for the province than upfront subsidies, because it creates more certainty and lowers the financial risk for any province that has been hit financially in the past.

AECL spokesperson Dale Coffin said it's now standard practice to offer fixed-price contracts.

Rivals to AECL and its CANDU technology include U.S.-based General Electric Co. and Westinghouse Electric Company LLC, and France's AREVA SA. But there are about 30,000 nuclear industry jobs in Ontario. As well, the hiring of a foreign company would likely lead to significant job losses at AECL, which employs about 4,000.

While taking the unpatriotic approach of choosing a foreign technology would likely come with its own set of uncertainties and risks, the AECL's next-generation CANDU technology has its own question marks and risks, making it impossible to accurately predict costs.

Twelve public forums took place only in February 2006 for Ontario residents to express their concerns about the province's future energy supply needs and the possibility of controversial new nuclear power projects. The consultations offer the public a chance to debate a recent

report recommending a \$70-bln expansion of the province's electricity generation capacity – most of it for new nuclear plants and reactor refurbishments.

The province needs to refurbish, rebuild, or replace 25,000 megawatts of existing generation capacity over the next 15 years to ensure the province has enough supply – partly because of government commitments to close its four remaining coal-fired plants by 2009.

The report, issued in December by the Ontario Power Authority, predicted the province's power grid could be “overwhelmed” by 2013 without new power generation sources.

NDP, Bloc Quebecois and Green Party position towards subsidizing Ontario's nuclear reactors

The NDP, Bloc Quebecois and Green Party all oppose using federal taxpayer dollars to subsidize the construction or retrofit of nuclear reactors in Ontario according to the results of a federal election questionnaire released by the Ontario Clean Air Alliance (OCAA).

The Liberal Party position is “stands ready to work with Ontario in addressing the province's energy needs. It is the prerogative of Ontario, however, to determine what energy supply. Canada has invested about \$6 bln in nuclear R&D since 1952. Currently, the government of Canada provides approximately \$100 mln annually to AECL for R&D. It also provides some targeted R&D funds (\$46 mln, last year) for the development of the Advanced CANDU Reactor”.

According to the Conservative Party, “we have not made a decision on this issue. We will meet with the government of Ontario to discuss its energy requirements”.

Ontario's nuclear generating sector is currently heavily supported by direct and indirect public subsidies ranging from the assumption of more than \$15 bln in unfunded nuclear-related debt by Ontario taxpayers and ratepayers to provincial government underwriting of multi-billion dollar plant decommissioning and waste disposal costs. Nuclear construction and retrofit projects in Ontario have consistently run hundreds of millions to billions of dollars over budget and years late in completion.

Broad support for improving renewable east-west transmission grid

The Liberal Party, the Conservative Party, the NDP and the Green Party all support the expansion of Canada's east-west transmission grid to permit Ontario to increase its imports of waterpower from Manitoba, Quebec and/or Labrador. According to the Liberal Party, "the final decision for how to best meet electricity and environmental needs rests with the provinces themselves; however, should they choose to pursue hydroelectricity projects of mutual interest, they would be eligible to receive federal funding through the Offset System and Partnership Fund"³⁹.

In any event, the only technology that stands a fighting charge of quickly replacing the coal units in Ontario is natural-gas-fired generation. Some 600 MW of new gas-fired generation, all from private investors, came on line in 2004. These gas-fired projects appeared to have received renewed momentum in the wake of the second request for proposal (RFP), which has excluded both oil and coal as fuel sources in new generating procurement argument between the supplier and the Ontario Power Authority, a new non-crown corporation.

The Ontario government has devised a multi-pronged power strategy, which includes major thrusts toward both encouraging conservation and boosting investment in renewable sources of power.

The decisions that should be taken today concerning the timing and structure of these sizable investments in energy industry will largely determine the reliability and cost of Ontario's electricity supply over the coming decades, and can thus be expected to have an important impact on the economic future of Canada's most populous province.

Ontario's challenges on the power front have captured the most attention but the province is far from alone in facing electricity supply over the next several years. In fact, most regions of the country are either already confronting – or could be looking at – deteriorating supply – demand positions. This appears to be the case even in provinces such as Quebec and BC, which rank as leaders in the area of hydroelectricity potential. Following a decade of under-investment, major outlays in transmission and distribution infrastructure will be required to upgrade aging fleets in most regions while in some areas, sizeable amounts of

³⁹ Ontario Clean Air Alliance Press Releases Sept. 5, 2006.

spending will be needed just to accommodate booming demand growth, such as in Alberta, the NWT and Newfoundland & Labrador.

Addressing these challenges – a shortfall in supply and inadequate transmissions/distribution infrastructure – will be necessary in order to ensure that Canadians continue to enjoy a reliable electricity system. And, an assurance of reliability will come with a big price tag. The Canadian Electricity Association has estimated the combined public and private cost across Canada’s regions to be \$ 150 bln over the next two decades or \$ 7.5 bln per year.

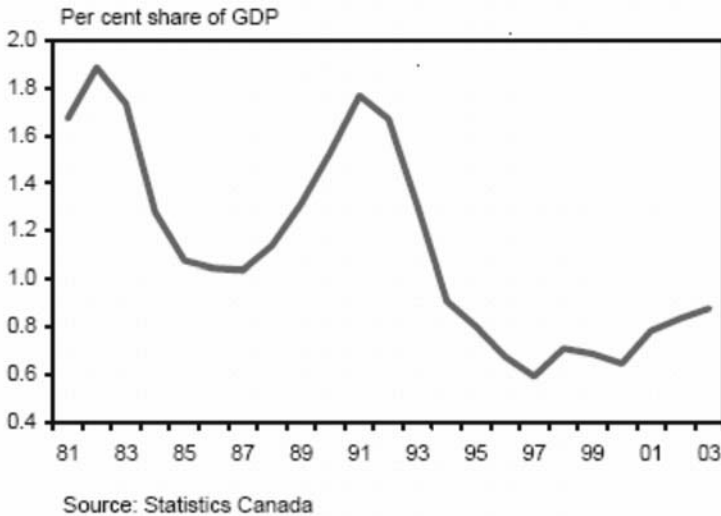


Fig. 3. Capital Investments in the Electric Power Sector as Per cent Share of Canadian GDP

In all Canadian jurisdictions, industries pay less than residential users – by as much as 50% in some cases. The lower prices to industries reflect in part the economies of scale of serving consumers who use relatively large amounts of electricity and in part because electricity pricing is being used implicitly as an industrial strategy.

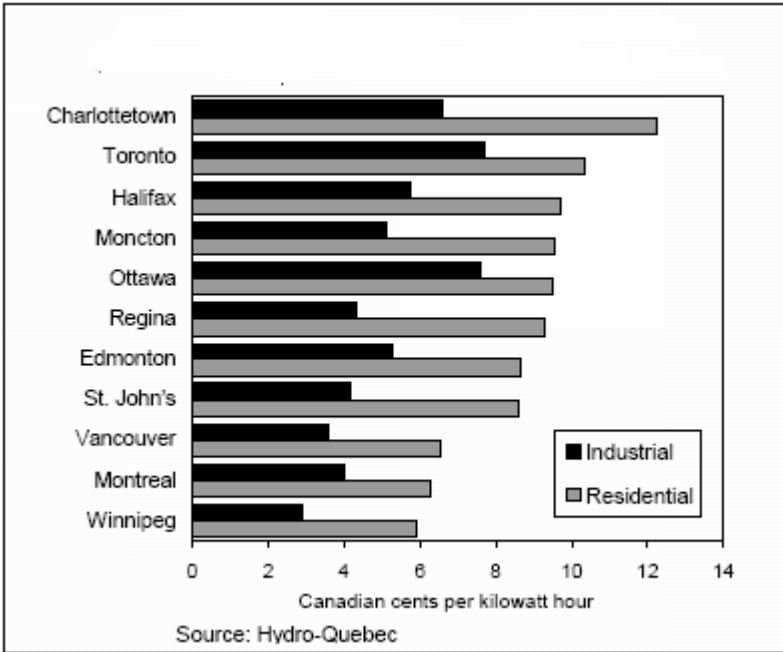


Fig. 4. Electricity Prices in Major Canadian Cities: Residential versus Industrial, 2004

This subsidization has helped the competitive position of power and placed added strain on electricity system.

Provincial governments regulate retail prices in Canada. Some governments subsidy consumers in the provision of electricity. The size of the subsidy is difficult to calculate precisely. On difficulty stems from the fact that in the days of vertically integrated utilities, the costs of producing, transmitting and distributing electricity were all bundled up into one price. But even if governments realign power prices more in line with cost, Canadian prices would still compare favorably on an international scale in light of the nation's abundance of cheap power.

3.7.3. Lessons of Canadian National Electric Program for Provincial Governments

There is already a broad recognition among provincial-territorial governments that, first, the supply-demand picture for electricity is eroding and second, that without a reliable power system, regional economies would grind to a halt. As such, most jurisdictions have developed long-term strategies that aim to address the rising risk. While the plans for actions released across the country highlight the fact that each region faces its own unique challenges, there are a number of common threads between them.

1) A need to secure new supplies of power, and in particular, “green sources” such as hydroelectricity, cogeneration, wind power and other renewables.

2) A push towards increasing trade links in order to take advantage of lower transmission costs, export opportunities and to boost reliability with more provinces likely to participate in US-initiated regional transmission operators, the recent trend toward regionalization of the electricity market will continue, and north-south trade will contribute an over-growing share of overall provincial electricity generation. Nevertheless, there is also widespread acceptance across Canadian provinces of the need to strengthen east-west trans-Canadian connections in order to mitigate the risk arising from possible supply disruptions from the USA.

3) An acknowledgement that a good part of the solution to eliminating emerging gaps between electricity supply and demand rests in demand-side management (DSM).

With governments in Canada facing a growing tab for health care and already large debt-loads, leveraging the deep pockets and expertise of the private sector could go a long way in covering the investment requirements. And, in the case of electricity, where needed investments for generation and transmission are larger than in many other types of infrastructure, the case for private participation, in providing the commodity as well as financing the project, could not be any clearer.

There is already quite significant private involvement across the provinces and there is a wide range in the mode of participation. In British Columbia, the provincially owned BC Hydro provides about 80% of generation, with the remainder being provided by industries and inde-

pendent power producers. In Alberta about 68% of generation is accounted by three privately – run vertically – integrated utilities and the rest is supplied by the industrial sector and independent power producers. In Nova Scotia, the NS Power Inc. is a virtual monopoly accounting for 95% of generation, transmission and distribution and is owned by Emera, a private company. In Newfoundland, the crown-owned Newfoundland Labrador Hydro exists side-by-side with Newfoundland Power, a subsidiary of Fortis, an investor-owned company. Fortis also operates utilities in PEI, Ontario, Alberta and BC. In Ontario, new gas plants are entirely privately-owned and the government's only involvement is a supply contract from the Ontario Power Authority.

Given the scale of investment needs, it appears that more private participation will be needed, either in the form of private ownership of electricity assets or government (provincial and federal) ownership along with the use of the private sector in designing, building, operating and/or financing initiatives. Regardless of the path taken, given that the inherent risk of investing in large-scale power projects can be formidable, private sector investors will require the opportunity to earn commercial rates of return. As such, a shift toward market-based pricing of electricity would be consistent with a goal of increasing private-sector investment in the long run. Furthermore, governments need to be mindful of the fact that unanticipated and sweeping changes in government policy can go a long way in stunting private-sector involvement, and hence limiting the long-term benefits to society that could otherwise have been enjoyed.

Electricity is an essential good, that the consuming public and business have little tolerance for significant price volatility that goes hand-in-hand with competitive markets, and that there is environmental impact in electricity generation and transmission. In this regard, government regulation of this market is unlikely to go by wayside. Economic theory suggests that competition leads to efficiency gains and thus lower prices. However, given some well-publicized failure with deregulation such as those of California and Ontario, there is a strong understanding that either we embrace competition fully in all segments of electricity, or return to the old vertically integrated model.

3.8. Parties' Conflicts on the Federal-Provincial Level in Canadian Post-War History

In Canada, "Parties' conflicts on the federal-provincial level" are almost entirely conflicts between the provincial and federal government.

The Canadian party system is bifurcated. Only for the New Democrats does membership in a provincial party automatically lead to membership in the federal party. Federal and provincial leaders work together to forge a common ideology and provincial leaders play a key role in selecting federal leaders. But the NDP is distinctly a minority federal party. What strength it has is at the provincial level, so it is not surprising that provincial membership is primary. The Tories (Conservatives) are a "confederal" party, with very limited ties between the federal and provincial parties. Each raises its own money, recruits its own candidates, selects its own policy positions, and is effectively an autonomous institution. The Liberals might best be described as a loose confederation – not quite as split between federal and provincial wings as the Tories, but also not quite as unitary as the NDP.

The weak ties between federal and provincial parties lead to a pattern of representation that militates against party government. Party labels mean different things at different levels. And voters feel free to choose one party to represent them at the federal level and another at the provincial level – and to identify with one party in provincial politics and another in federal contests.

Between 17% and 33% of Canadians have identified with different federal and provincial parties. A bare majority are "fully consistent" identifiers, favoring the same party at both levels⁴⁰. Expectedly it is not a very unusual situation for such a democratic, multicultural and bilingual country as Canada, where even the national anthem "O Canada" does not have a very identical English and French version.

Provincial politics in high degree is about a struggle for power with Ottawa over which level of government is best equipped to handle the welfare state, which is mostly funded with federal dollars but run from the provinces. The question of whether there will be an activist government has been long decided at the federal level. How active the welfare

⁴⁰ Stewart, Marianne C. and Harold D, Clark. 1998. "The Dynamics of Party Identification in Federal Systems: The Canadian Case", *American Journal of Political Science*, 42: 97–116, p.100.

state will be and who will benefit is a battle fought at both levels, as the debate in Alberta over the partial privatization of the National Health system. These issues endure regardless of party ties.

In Canada, provincial premiers feel free to back programs that they believe will benefit their constituents, regardless of which party is in power in Ottawa. This weakens the party system by divorcing federal and provincial parties from a common worldview. "Red Tory" William G. Davis, the Premier of Ontario, supported the energy policy and the attempt to "patriate" Canada's Constitution by Liberal Prime Minister Pierre Trudeau in the 1980, even as other Premiers (and the national PC party) were fighting Trudeau fiercely.

There has never been much of a Progressive Conservative party in Quebec provincial politics, largely because the federal Tories established rapport with the Credistes (the Quebec branch of Social Credit), the Union National, and the Parti Quebecois (PQ). There are both federal and provincial wings of the Liberal party in Quebec, but their close relationship ended in 1964 when they took divergent paths on the issue of greater autonomy for the province.

In constitutional law, Canada is classified as a federation, but in reality it is more and more becoming a unitary state with Ottawa as a capital. The provinces, like the states in the U.S. or the cantons in Switzerland, are becoming mere administrative agencies of the central government.

This transformation of the Canadian federal system began in earnest after World War II. To avoid a post-war depression the federal government, without much opposition, instituted a number of social security measures, such as unemployment insurance and family allowance. It introduced a system of federal payments to all provinces to enable even the poorest to maintain a minimum level of social services. It embarked upon economic redistribution and established what is commonly called the "welfare state."

Canada is a vast country with tremendous distances between the core and the periphery. The Prairie Provinces (Alberta, Manitoba, Saskatchewan) have historically seen themselves as far removed – economically, socially, and politically – by their more prosperous and more powerful neighbors in Ontario and Quebec. Quebec has seen itself iso-

lated linguistically. And the Atlantic Provinces (NS, NB, PEI and N&L) are poor by comparison with the rest of Canada.

Liberals and Conservatives, both parties, are committed to national unity, to redistribution from the wealthy provinces to the peripheries through transfer payments and to an activist welfare state.

Table 4

A consolidated table listing total GDP, per capita GDP, population, and Equalization Payments

Province or territory	% GDP of total in 2005	GDP per capita, as % on Canadian average in 2005	Population in 2005	Equalization Payments in 2006-07 per capita for provinces (CAD)
1 Ontario	39.29	101.10	12,541,400	
2 Quebec	20.09	85.30	7,598,100	725
3 Alberta	15.78	156.30	3,256,800	
4 British Columbia	12.00	93.10	4,254,500	107
5 Saskatchewan	3.11	100.80	994,100	13
6 Manitoba	3.06	84.00	1,177,600	1,445
7 Nova Scotia	2.30	79.10	937,900	1,475
8 New Brunswick	1.73	74.40	752,000	1,927
9 Newfoundland & Labrador	1.57	98.40	516,000	1,334
10 Prince Edward Island	0.30	70.70	138,100	2,102
11 Northwest Territories	0.30	223.90	43,000	
12 Yukon	0.11	96.10	31,000	
13 Nunavut	0.08	86.60	30,000	
Canada	100	100	32,270,500	

Source: Department of Finance, Canada and Statistics Canada.

Western Canadians always have been suspicious of federal regulation that tends to benefit the more populous provinces, Ontario and Quebec. In Alberta, the westernmost of the three Prairie Provinces, the confrontation has led Premier Peter Lougheed to speak of “a declaration of war” by Ottawa.

Since 1947, when oil was first discovered in the Leduc Field, Alberta's production of crude oil and natural gas has transformed this province to a burgeoning industrial center. The rise in energy prices by OPEC since 1973 then magnified the value of Alberta's energy production, causing the center of economic gravity and prosperity to shift westward. Canadian population and investment capital are leaving the old industrial centers in the East and seeking employment and return in Alberta. With 3.3 mln people, or 10% of Canada's population, Alberta is generating 15.8% of the country's GDP, growing larger every year. The neighboring province of Saskatchewan is enjoying a similar petrodollar boom although it has smaller deposits of primarily heavy oil. So does British Columbia, which has considerable reserves of natural gas.

With billion dollar royalties rolling into the provincial coffers they are financing social improvements of long-term benefit, such as low-cost medical insurance and service, investments that establish a solid economic base, favors and subsidies for research and development, etc. In short, they are pursuing the very system of radical government intervention they are fighting so vigorously when conducted in Ottawa. Canadian politicians sooner or later will arrive at a compromise that permits them all to take a little more from the producers. After all, contemporary politics is the most practical of the arts by which property rights are sacrificed to the demands of the majority.

Many of the concerns of modern government cut across the loose jurisdictional boundaries found in the constitution. National purposes can often only be achieved with provincial co-operation; provincial goals often require federal assistance. As government roles in social, economic and other policy areas grew, then the need for co-operation and co-ordination - and the costs of failing to achieve it - also expanded. Through federal-provincial relations - and the related tools of inter government finance, shared cost programs and the like - the federal government is deeply involved in fields largely within provincial jurisdiction; and provinces have increasingly sought to influence federal policies in areas such as foreign trade and transportation. Thus federal-provincial relations have grown primarily in response to the changing roles of government within Canadian federalism.

They have also been sustained by more political factors. The weakness of mechanisms for regional representation in the federal govern-

ment, and the regional concentration of support for the major national parties throughout much of recent history, have strengthened the ability of provinces to act as the primary articulators of regional interests. The difficulty of achieving changes in the constitutional allocations of power has played a premium on informal mechanisms of accommodation.

Federal-provincial relations affect most of the major activities of government in Canada, and are in a state of virtually continuous evolution. The 1950s and 1960s are widely described as the era of cooperative federalism, when steadily expanding resources and a broad federal-provincial consensus about priorities favoured technical cooperation by officials. Low levels of conflict and the rapid expansion of cost-shared programs were characteristic of this era.

As the modern apparatus of coordinated activity took shape, however, strains began to appear. Provincial concerns about distorted priorities imposed by federal initiatives, visible particularly in the new assertiveness of Quebec, emerged both because newly achieved policy capabilities at the provincial level enabled the development of distinctive provincial positions and because new governmental roles raised new opportunities for federal-provincial divergence. There thus emerged a second phase of federal-provincial relations – widely termed executive federalism – characterized by: the politicization of intergovernmental relationships; extensive federal-provincial interpenetration and interdependence; provincial assertiveness; and growing levels of conflict.

Contributing to these tensions were the financial constraints, which emerged during the 1970s, and the centralization of the administration of federal-provincial relations in the hands of process specialists, which tended to displace functional cooperation among officials sharing disciplinary specialties with forms of jurisdictional competition.

The tone and style of federal-provincial relations varies considerably over time. In the postwar period, the term “co-operative federalism” referred to a pattern of federal financial and policy leadership. In the 1960s and 1970s, as the strength and assertiveness of provinces grew, relationships became more equal, and federal-provincial relations were widely seen as a vehicle for the expression of successful provincial claims for a greater share of fiscal resources, greater freedom for provincial policy initiatives, and greater provincial influence over federal

policies in its areas of jurisdiction. The rise of a more assertive Quebec nationalism, and later of interregional tensions of energy matters in the 1960s and 1970s, along with deep divisions over the constitution led many to see intergovernmental forms less as an arena for harmony and co-operation, and more as one for exacerbating disagreement.

The Liberal government of 1980–84, concerned with what it saw as a drift towards greater provincial power, sought to minimize the role of federal-provincial relations in shared decision making, acting unilaterally in many areas, and seeking to establish direct relations with citizens and groups in the provinces, without going through the intermediary of the provinces. By contrast, the Conservative government made “national reconciliation” a central goal, and sought to restore more harmonious relations, with consultation on a variety of matters.

The return to power of a Liberal government led by Pierre Trudeau in 1980 inaugurated a period during which many of the tensions characteristic of executive federalism erupted in overt conflict. During the early 1980s, the federal government showed an increased willingness to resort to unilateral action in the absence of federal-provincial agreement, notably in the threat to patriate the Constitution and in the introduction of the National Energy Program in 1980. The early 1980s also saw the application of federal financial restraint measures to provincial transfers, notably by an amendment of the Fiscal Arrangements and Established Programs Financing Act in 1984 (made without consultation of the provinces) which made federal cash contributions for health and post-secondary education subject to the “6 and 5” restraint program.

During this period, also, federal concerns about the lack of visibility of federal contributions to cost-shared programs fostered a preference for the direct delivery of federal programs rather than the less visible federal funding of provincially administered programs. This shift is illustrated by the umbrella Economic and Regional Development Agreements, emphasizing coordinated planning but parallel service delivery, which replaced the General Development Agreements of the 1970s, and their emphasis on joint regional development programs. An analogous shift occurred concerning federal funds. The Canada Health Act of 1984, for example, required that the provinces provide “appropriate recognition” for federal funding of provincial health insurance programs. This Act, furthermore, illustrated a renewal of federal concern

about the maintenance of national standards, and a willingness to impose financial sanctions on provinces not meeting standards formulated at the federal level.

As the Trudeau era drew to a close, a fundamental question about federal-provincial relations remained unanswered. The recurring attention devoted by the Trudeau administration to the possibility of major reforms of federal institutions, including the strengthening of regional representation within the federal government by means of an elected Senate, implied one response to this question. A contrasting response was apparent, before and after the 1984 election, on the part of the Progressive Conservatives.

During the 1984 election campaign, Brian Mulroney and the Progressive Conservatives emphasized the importance of a renewed political commitment to federal-provincial cooperation, the value of skills of negotiation and conciliation, and the implicitly political (rather than institutional) objective of national reconciliation. These themes anticipated the initial focus of the new government.

During its first few months, the Mulroney government made substantial progress towards lessening federal-provincial tensions, notably in the area of energy policy agreements and the signature, with several provinces, of umbrella regional development agreements. As well, responsiveness to calls for federal assistance in the agricultural sector precluded significant conflict. Finally, the conciliation skills of Prime Minister Mulroney were widely credited with the achievement, at Meech Lake on 30 April 1987, of unanimous federal-provincial agreement on a package of constitutional amendments responding to long-standing demands from Quebec.

The 1985 budget, which proposed reductions in the rate of increase of certain federal transfer payments, began a cycle in which successive federal restraint initiatives prompted more and more strident provincial protest. Other issues, such as provincial participation in free trade negotiations, a cash crisis in the oil industry in 1986, and individual regional development decisions, also provoked conflict.

The second Mulroney government followed the broad style of federal-provincial relations established by the first; however, a combination of systemic factors prevented a full return of the harmony achieved in the mid-1980s. Among these factors were lower levels of political sup-

port at the federal level (favoring provincial assertiveness), resentments arising from individual conflicts, and the diverging priorities of the federal government and some newly elected provincial governments.

The federal government's new spirit of accommodation did not, however, diminish the outlying provinces' conviction that structural reforms were required to remove centrist biases within Canada's federal system. On the contrary, these convictions rose to new heights during this period, as was seen among proponents of Senate reform during the "Canada round" discussions of 1992. Nor did the approach to federalism of the Mulroney governments apparently lessen frustrations in Quebec. Any positive impacts in that province's approach appear to have been outweighed by unresolved constitutional dissatisfactions and economic concerns.

Two fundamental issues not resolved during the 1980s have continued to affect decision-making across the range of federal-provincial relations. The first issue is national unity, which centers on long-standing dissatisfactions within Quebec, but has come to involve additional concerns, notably those of Aboriginal peoples and the West. Although this issue has propelled cycles of constitutional politics since before the patriation of the Constitution in 1982, it has also had consequences for a broad range of sub-constitutional legislative and administrative initiatives. These initiatives may, in some cases, reduce or defer pressures for constitutional change. They may also be seen as potential contributors to constitutional change, if by habituating Canadians to new principles or practices they contribute to the levels of consensus necessary to achieve constitutional amendments.

The second recurring issue in Canadian federalism has to do with money – in particular the consequences for federal-provincial relations of a series of reductions to federal transfers to the provinces. The original purpose of major health, education and welfare transfers was to ensure that nation-wide programs reflecting consistent standards could be established in these areas of provincial jurisdiction, despite the incapacity of many provinces to fund such programs. The reduction of the transfers has: increased pressures from the provinces for reductions in federal influence within these areas; provoked recurring cycles of federal-provincial conflict over which level of government is responsible for the cutbacks in programs; and fostered proposals for reform, ranging

from “disentanglement” (whereby each level would raise the revenues it needed, thus minimizing transfers) to various co-management mechanisms. Furthermore, the drop in federal transfers to all provinces has highlighted the impact of redistributive transfers (flows of revenue from richer provinces through the federal government to poorer provinces), perhaps contributing to growing criticism of such transfers by “source” provinces.

Developments relating to national unity and fiscal federalism are dealt with separately below, although in practice there is a continuous interplay between the two.

Fiscal arrangements between the federal and provincial governments involve transfers of money to the provinces, and other matters such as the collection of taxes. The two major transfers are equalization payments, intended to ensure that all provinces have the fiscal capacity to provide minimally acceptable service levels, and the Canadian Health and Social Transfer (CHST), which combines federal contributions to support post-secondary education, health care and social assistance.

It is estimated that in 2006–07, support through major transfers to provinces and territories will be approximately \$62.1 bln (about \$1,904 per person).

In an era when all governments remain under considerable fiscal pressure, the issue of intergovernmental transfers is predictably sensitive. It acquires additional sensitivity within the context of Canadian federalism, however, because the federal government has traditionally used its spending power to foster programs reflecting federal priorities within provincial jurisdictions and to ensure that these meet national standards. As federal spending has been proportionally reduced, provincial pressure has been increasing for a corresponding diminution of federal influence.

The sensitivity of transfer issues was amply demonstrated by provincial reaction to the 1995-1996 budget. This announced that existing EPF and Canada Assistance Plan transfers would be replaced by a single block-funded program, i.e., the Canadian Social Transfer (later known as the Canada Health and Social Transfer), entailing overall reductions of about \$2.5 bln in 1996–1997 and an additional \$2 bln in 1997–1998⁴¹. Although initial reaction from most provincial govern-

⁴¹ Department of Finance, Canada. Federal Transfers to Provinces and Territories, 2006.

ments was harsh, generally positive reception by the public had the effect of muting such criticism (in open at least) in the weeks following the Budget. An additional factor here was undoubtedly the increased provincial discretion over the allocation of funding among the various programs that was enabled by the new transfer.

Table 5

Major Transfers (2003–04 to 2006–07)

(\$ mln)	2003–04	2004–05	2005–06	2006–07
<u>Canada Health and Social Transfer</u>				
Cash	20,825			
Tax	16,986			
Total	37,811			
Canada Health Transfer				
Cash		15,270	20,310	20,140
Tax		11,134	11,645	12,368
Total		26,404	31,955	32,508
Canada Social Transfer				
Cash		8,280	8,415	8,500
Tax		6,824	7,137	7,580
Total		15,104	15,552	16,080
Health Reform Transfer	1,000	1,500		
Wait Times Reduction		625	625	1,200
Total Health and Social Transfers	38,811	43,634	48,133	49,788
Equalization	8,690	10,774	10,900	11,282
One-time Adjustment				254
Territorial Formula Financing	1,754	1,900	2,000	2,070
One-time Adjustment				2
Total Major Transfers	47,963	54,960	59,695	62,062

Source: Department of Finance, Canada.

The impacts of these reductions, notably on provincial education and health care spending, have been a continuing source of federal-

provincial tensions since 1995. Recurring provincial demands for the restoration of funding have been met with federal insistence on provincial guarantees that additional funding would actually be spent on health care and schools (and not on tax cuts, for example, which a number of provinces have implemented while simultaneously protesting reduced federal transfers).

Since mid-1997, improvements in the fiscal position of the federal government have added fuel to provincial pressures concerning transfers. As the federal position has continued to improve, provincial demands have expanded to include the full restoration of transfers. Thus, at the 15 June 1998 meeting of federal and provincial finance ministers, the provinces (excepting Quebec, which was not participating, and Newfoundland) pressed for either a \$6.2 bln increase (full restoration) or a more moderate amount incorporating cuts claimed to be similar to those Ottawa had imposed on itself⁴². Similar demands were made at the 7 August 1998 annual premiers' conference in Saskatoon.

Table 6

Equalization Entitlements – 1993–94 to 2006–07 (\$ mln)

YEAR	NL	PE	NS	NB	QC	MB	SK	BC	Total
1993–94	900	175	889	835	3,878	901	486	0	8,063
1994–95	958	192	1,065	927	3,965	1,085	413	0	8,607
1995–96	932	192	1,137	876	4,307	1,051	264	0	8,759
1996–97	1,030	208	1,182	1,019	4,169	1,126	224	0	8,959
1997–98	1,093	238	1,302	1,112	4,745	1,053	196	0	9,738
1998–99	1,068	238	1,221	1,112	4,394	1,092	477	0	9,602
1999–00	1,169	255	1,290	1,183	5,280	1,219	379	125	10,900
2000–01	1,112	269	1,404	1,260	5,380	1,314	208	0	10,948
2001–02	1,055	256	1,315	1,202	4,679	1,362	200	240	10,310
2002–03	875	235	1,122	1,143	4,004	1,303	106	71	8,859
2003–04	766	232	1,130	1,142	3,764	1,336	0	320	8,690
2004–05*	762	277	1,313	1,326	4,155	1,607	652	682	10,774
2005–06	861	277	1,344	1,348	4,798	1,601	82	590	10,900
2006–07**	687	291	1,386	1,451	5,539	1,709	13	459	11,535

Note:

NL – Newfoundland

PE – Prince Edward Island

NS – Nova Scotia

NB – New Brunswick

⁴² Government of Canada, Depository Services Program. Federal-Provincial Relations. 2001.

QC – Quebec
MB – Manitoba
SK – Saskatchewan
BC – British Columbia

* Figures for 2004–05 exclude the additional \$150 mln in Equalization announced in Budget 2004.

** Figures for 2006–07 are as proposed in Budget 2006 and include one-time adjustments.

Source: Department of Finance, Canada.

In August 1999 in Quebec City, at their annual meeting, the provincial premiers and territorial leaders expressed their concern about the provision of health care services and their belief that these services should be accessible to everyone and be publicly funded.

In the course of the meeting, the premiers and leaders established three priorities for the health care sector: sustainability, with its components of adequate and predictable federal funding, reliable staffing to meet projected needs, and improved information systems in support of decision-making; population health, including the improvement of health of all Canadians; and clear roles and responsibilities.

The provincial and territorial leaders also called on the federal government to fully restore Canada Health and Social Transfer (CHST) funding to 1994–1995 levels with an appropriate escalator for the CHST cash transfer that would keep pace with cost and special demand pressures.

At their August 2000 meeting in Winnipeg, the premiers remained very concerned about the growing imbalance between the federal and provincial/territorial governments' ability to finance their respective program responsibilities. In their view, efficiency and equity in the provision of programs and services imply that both the long-term vertical fiscal imbalance between the federal government and provinces and territories, and the horizontal fiscal imbalance among provinces and territories, need to be addressed.

The premiers noted that because of the way revenues are currently structured, the federal government's surpluses are projected to rise quickly over the next 20 years, while the provinces and territories will collectively be hard pressed to keep their budgets in balance over this same period. They expressed their concern that their governments' finances are particularly vulnerable if cost pressures in key public ser-

vices increase even moderately or in the event of a slowdown in economic growth.

The premiers also called on the federal government to strengthen its commitment to the Equalization Program so that the Program can meet its constitutionally mandated objectives. In addition to restoration of the CHST and adoption of an appropriate escalator, the premiers reiterated that the federal government must immediately remove the ceiling on equalization payments.

The premiers agreed that the question of fiscal imbalance is an urgent financial challenge facing the federation today. They instructed their Finance Ministers to advance their work on these issues and to identify reform proposals, which would address the vertical and horizontal fiscal imbalance in Canada in a more lasting manner.

The meeting concluded with recognition of the need for adequate, predictable and sustainable federal funding in support of post-secondary education and skills development, and with the formulation of a detailed action plan for early childhood development.

Restraints on federal transfers have since 1995 coincided with growing provincial experimentation with alternative delivery mechanisms, notably in the health care field. In a number of cases, provincial initiatives prompted federal counter-actions to uphold federally prescribed standards or practices, leading to major conflict with individual provinces.

A prominent example was the disagreement between the federal and Alberta governments during 1995 and 1996 over the charging of "facility fees" by private clinics; this resulted first in federal penalties and ultimately in the provincial government's agreement to absorb the charges on behalf of clinic users. Tabled in Alberta's Legislative Assembly on 2 March 2000, Bill No. 11 also stirred some controversy vis-à-vis federal-provincial relations. A number of commentators argued that the Bill did not respect the spirit of the Canada Health Act and that in the long term it opened the way to a two-tier system. The federal government, although it did not publicly oppose the Bill, did voice certain reservations.

The primary aim of the legislation was to allow regional health authorities, with the Minister's approval, to contract out minor surgery, which would be considered an insured service for which benefits would

be paid – pursuant to the Alberta Health Care Insurance Act – to private surgical facilities approved by the government. The Bill's other important aspect is the greater regulation of private surgical facilities that offer uninsured services involving hospitalization lasting more than one day.

Differences over whether the federal government should have an exclusive role in applying national standards within areas of provincial jurisdiction have since proven to be a major element in a more general discussion about roles and responsibilities in the social policy field. The provincial position was laid out comprehensively in a December 1995 report endorsed by the premiers of all provinces except Quebec as a basis for renewing the federation, and forwarded to the Prime Minister for response at the 1996 First Ministers' Conference. The report calls for: subjection of federal activity in areas of provincial responsibility to intergovernmental consultation and provincial/territorial agreement; fiscal disentanglement (resources to be shifted to the provinces to allow them to perform their responsibilities without depending on federal transfers); acceptance of the principle that federal spending within provincial or shared jurisdictions should not allow the federal government to dictate program design; and replacement of the current federal role as the sole interpreter and enforcer of the Canada Health Act with some form of federal-provincial power-sharing.

On 4 February 1999, the Prime Minister, the premiers of all the provinces except Quebec, and the territorial leaders signed a new framework agreement on the social union. According to the federal government, the Agreement is intended to encourage equality of opportunity among Canadians, no matter where they live in Canada, and to improve their mobility. In it, the federal government makes a commitment not to introduce new Canada-wide initiatives in the social sector without the consent of a majority of the provinces, and to work with them to determine what goals to pursue. The framework agreement sets out the need to increase transparency, and governments' obligation to be accountable. It also provides for dispute prevention and resolution mechanisms.

Despite the Quebec government's refusal to sign, the Social Union Agreement between the federal government and the other provincial and territorial governments marked an important step in the evolution of

intergovernmental relations in this country, notwithstanding its administrative nature.

The Quebec government's refusal to sign was based on the following main reasons: the legitimizing of the federal spending power in the social programs sector; and the federal government's recourse to direct transfer payments to individuals and organizations to launch new Canada-wide social initiatives.

On 11 September 2000, at a federal-provincial conference, the First Ministers agreed on a vision, principles and an action plan to guide their intervention in the coming years in the fields of health care and early childhood development. The Quebec government chose not to give its support to the agreement on early childhood development, regarding it as an exclusively provincial area of constitutional jurisdiction. It did, however, agree to accept the additional funding for health care.

Through the agreements concluded by the First Ministers, the federal government made a commitment to invest \$23.4 bln over the next five years. Of this amount, the government will invest \$21.1 bln in the CHST⁴³. The CHST legislation has been extended so the provinces and territories can benefit from stable and predictable financial assistance until 2005–2006. The federal government will also provide targeted financial assistance of \$2.3 bln to enable the provinces and territories to cope with the specific challenges confronting them in the area of health care⁴⁴.

A process involving the review of federal and provincial responsibilities across a range of policy fields, clarification of roles, reduction of duplication and increasing efficiency, has gone forward steadily. The process has achieved tangible results, such as: agreements between the federal government and several provinces for the co-funding of business information centers; agreements with Ontario and Alberta to eliminate overlaps in international trade promotion; and a groundbreaking agreement between federal and provincial agricultural, health and fisheries ministers (those of Quebec excepted) to move toward a single food-inspection system.

⁴³ Government of Canada, Depository Services Program. Federal-Provincial Relations. 2001.

⁴⁴ Department of Finance, Canada.

3.8.1. Apples of discord

Canada, from the point of view of the composition and structure of its system of social benefits provided by the State, is a very specific country.

The neighborhood with the USA provides Canadians with a “safety umbrella”, which allows them to spend very little on defense and external security (the share of these expenditure items in the budget of a Dominion that used to be quite militarily robust in its historic past, having been a most active participant in the two world wars and many peace-keeping military during the post-war period, is no more than that in the budget of the constitutionally demilitarized Japan⁴⁵).

Several factors are responsible for the also relatively small expenditures on internal security. Among these, the following ones can be pointed out:

- the country’s relatively small size (although the territory itself is vast, the population, far less numerous than that of the USA, mostly resides within 100–150 kilometers from the border with its southern neighbor);
- the high degree of social homogeneity: the highly effective selective immigration policy ensures competition for low-paid workers, while at the same time barring the inflow of parasitically-minded migrants; which is typical of the European countries and partly even of the USA.

As for the most energetic and enterprising Canadians, they can try their luck in the USA, with extensive opportunities for earning a good income. As for the cost of their resettlement and adaptation, it is evidently minimal. In such “economically and socially leveled” society it is, no doubt, much easier to maintain social order and combat crime than in the USA, as one example.

Thus, the relatively high level of taxation, indeed, generates revenue which can be spent nearly exclusively on the implementation of social projects. The discussions going on around the choice of specific projects and the exact ways for them to be implemented represent an important component of the domestic political agenda.

⁴⁵ See the statistical data published by the Organization for Economic Cooperation and Development at www.oecd.org.

Agriculture

Negotiations for establishing a federally and provincially cost-shared national farm safety net provide an illustration of the intergovernmental agreement process, including vicissitudes that can protract it. During 1996, agreements were signed by the federal government and Alberta, Ontario, Prince Edward Island, New Brunswick, Newfoundland and Nova Scotia. As 1996 drew to a close, however, Alberta reacted to long-standing criticism of the program among farmers in that province by withdrawing participation. On 7 January 1997, federal Minister of Agriculture Ralph Goodale responded by committing the federal government to pick up Alberta's share of the funding, thus enabling the program to continue to be fully funded. Since then, a Canada-Manitoba agreement was announced on 3 April 1997 and a Canada-Quebec agreement emerged on 24 November 1997.

On 24 February 1999 in Victoria, the federal government and the provinces reached agreement on setting up an assistance program for farmers, 60% financed by Ottawa and 40% by the provinces. At a two-day federal-provincial Agriculture Ministers' meeting, nine provinces agreed in principle to participate in the Agricultural Income Disaster Assistance (AIDA) program, subject to provincial approval where necessary. Nova Scotia was not able to make a commitment at the time, but indicated that it would be continuing to work with the federal government toward participation. The federal government agreed to contribute up to \$900 mln over two years, under the 60:40 cost-sharing principle⁴⁶. Because AIDA is a demand-driven program, the ultimate expenditure will depend on the extent of income problems over 1998 and 1999.

In July 2000 in Fredericton, the federal, provincial and territorial Agriculture Ministers reached a three-year framework agreement on farm income protection. This new agreement was designed to give greater financial stability to the agriculture sector. It paves the way for a series of programs designed to solve various problems related to farm income and resulting from a number of factors, notably price fluctuations, poor weather, and foreign subsidies. Under the agreement, the federal government will pay out up to \$3.3 bln over the next three years. The provinces will invest up to \$2.2 bln. Shared program costs will be divided

⁴⁶ Government of Canada, Depository Services Program. Federal-Provincial Relations. 2001.

between the federal and provincial governments in the usual 60:40 ratio.

The hottest debate over current agricultural policy in Canada is about the future of the Canadian Wheat Board (CWB). Stephen Harper's Conservatives are aggressively pursuing an election promise to make participation in the wheat board voluntary for western farmers.

The Canadian Wheat Board has a government-enforced monopoly on Canadian wheat. The CWB competes aggressively in the grain market by pooling all the wheat they collect from farmers, then selling from that stockpile directly to buyers. Because Canadian wheat is high quality, and can only be legally purchased from the CWB, buyers are willing to pay a better price. The CWB provides farmers with a financial safety net, but many farmers want the right to walk the tightrope alone: to seek their own markets and customers, and sell when they think the market is high. Currently, it is illegal for a wheat farmer to conduct business himself, and people are actually jailed for doing so. The CWB instructs farmers to deliver a certain amount of product at a particular time, and pays a lump sum to each farmer once a year.

It is the sole marketing agency for more than 85,000 farmers in Western Canada. The board has about 20% of the world's market share in wheat, 65% in durum wheat, 30% in malting barley and 15% in feed barley. The Canadian Wheat Board handled 2.25 million tons of barley in the crop year ending July 31, 2005 compared with 13.3 million tons of wheat⁴⁷.

Agriculture Minister Chuck Strahl announced in October 2006 that there will be a broad-based vote on the Wheat Board's monopoly. Strahl told a Commons committee in Ottawa the plebiscite will be held next year, with a voters' list and questions to be announced later.

The move comes just one day after Strahl released a task force report that recommended the federal government set up within two years a new, voluntary Canadian Wheat Board that would be completely owned by farmers. Supporters of the board's monopoly say it gives farmers the best prices in a fiercely competitive international market, while opponents counter they should have the right to try to get better prices for their grain.

⁴⁷ Canadian Wheat Board. Presentation to the annual meeting of the Canada Grains Council, March 20, 2006.

The Alberta government opposes the monopoly. Saskatchewan and Manitoba provinces (main grain producers with NDP governments) have joined a coalition of farm groups and the wheat board executive in pressing Strahl to hold a plebiscite before taking steps to eliminate the monopoly. They say the Canadian Wheat Board Act is clear that farmers must give a mandate to remove the single desk.

Health care

Federal and provincial governments have been jointly involved in the provision of universal publicly insured and administered health care to Canadians for decades. In the early post-war decades, federal and provincial governments agreed on the use of conditional intergovernmental grants as the means to build the Canada-wide set of health care arrangements that exist today. What was done in the 1950s, 60s and 70s, was a considerable achievement both in policy and fiscal terms and from the viewpoint of cooperative intergovernmental relations.

Today, however, there are a number of disconnects between the federal government's approach to the financing of health care and intergovernmental health care relations, on one hand, and its policy role in promoting a Canada – wide system of health care for Canadians, on the other. These disconnects are contributing to provincial difficulties in reforming their health care systems and they are serious irritants in intergovernmental relations.

With rising costs, concern over wait times for medical procedures, and a continual federal-provincial tug-of-war over funding, health care continues to be a dominant issue in Canada.

The Liberals support a publicly funded health care system with universal access. In 2006 Canadian federal elections they have guaranteed that health transfers to the provinces will grow by 6% each year for the next 10 years. As a result of the 2004 Federal-Provincial Health Accord, the provinces have agreed to benchmarks for wait times for priority medical procedures.

The Conservatives support “a mix of private and public health care delivery, as long as health care remains publicly funded and universally accessible”. The Conservatives say they would continue to implement the 2004 Federal-Provincial Health Accord. The Conservatives plan to work with the provinces to establish a Patient Wait Times Guarantee so

that Canadians can receive essential medical treatment within acceptable wait times or be treated in another jurisdiction.

The basic position of the Bloc Québécois is that health care should be completely under provincial control, and the federal government should increase the federal transfer of funds to Quebec.

The NDP want to stop the “creeping privatization” of health care in Canada and improve public health care. The NDP propose a Protection of Public Health Care Act.

Through the legislation and agreements with the provinces, the NDP would make stable, long-term federal transfers for health care contingent on a commitment that the money would not be used for a profit-making insurance system covering medically necessary services.

The primary reason for Canada’s success in constraining expenditures in health care is that a single payer, the government, is responsible for the provision of physician and hospital services. Single-payer funding allows administrative efficiencies and the necessary redirection of spending.

But Canada’s restrained spending has produced long waits in emergency departments for unavailable hospital beds; delays in cataract, joint replacement and cardiac surgery; and the unavailability of needed home care services. Solving these problems will require increased commitment of resources to health care.

Many refer to the problem of maintaining equitable quality health care as “sustainability”. By sustainability, is having mechanisms in place to ensure that Canadians, irrespective of their ability to pay, will have continued access to prompt, technologically current, competent and compassionate health care that addresses the full range of their health needs.

The political environment is dominated by acrimonious debates between provincial and federal governments that misrepresent historical patterns of health care spending and feature demands by each government that the other should allocate resources to remedy the perceived funding crisis. Existing funding arrangements fail to make either federal or provincial governments accountable for ensuring adequate resources for health care. For instance, the federal government’s contribution to spending as part of the agreement that established national Medicare was originally tied to the GDP, but the federal government

moved away from linking transfers to national wealth during the 1980s. In 1995, the federal government unilaterally instituted large cuts in the health care funding available to the provinces.

At the same time, the provinces are able to avoid committing increased resources of their own to health care and effectively use the federal money to fund tax cuts. The cumulative impact of the provinces' tax cuts has reduced provincial revenue in 2001/02 by \$20 bln relative to the tax regime in place in 1995⁴⁸.

The current situation allows both levels of government to accuse the other of being responsible for health care delivery problems and for inadequacies in funding, while failing to address the problem.

Only a change in the current funding formula will reverse this situation and ensure accountability by both levels of government. Any solution must ensure that both levels of government acknowledge their responsibility to provide adequate funding for universal access to needed physician, hospital and other health services, without imposing on patients financial barriers to care. Further, provincial governments must acknowledge that the federal contribution to spending entitles the federal government to have a say in how the money is spent. Finally, any workable solution will make transparent the relative contributions of the 2 levels of government to health care spending.

A variety of funding formulas would meet these criteria. Any solution would begin with the provincial and federal governments agreeing to establish the current funding levels as a base situation and instituting mechanisms to ensure that base funding committed to health care is actually spent on health care.

Health care financing in Canada has been characterized by stability of per capita health care funding, by a drop in the proportion of GDP spent on public health care and by tax cuts representing forgone income that governments could have allocated to health care. Strengthening Canadian health care requires a funding formula that remedies the current ability of both provincial and federal governments to cut health care funding indiscriminately and easily obfuscate the situation to mask their cuts.

The Canadian health care system bans coverage of physician and hospital core services by private insurance companies, allowing sup-

⁴⁸ The fiscal balance in Canada – the facts. Ottawa: Department of Finance Canada; 2002.

plemental insurance only for perquisites such as private hospital rooms. This ban constrains the emergence of a parallel private medical or hospital sector and puts pressure on the provinces to meet the expectations of middle-class Canadians. That only 70% of total health care funding in Canada comes from the public sector – less than in many European countries but considerably more than in the United States – reflects the fact that private payments are common for other expenditures, including drugs, dental services, optometry, and home care. Private insurance and private care are also common in niche areas, such as work-related injuries and cosmetic surgery.

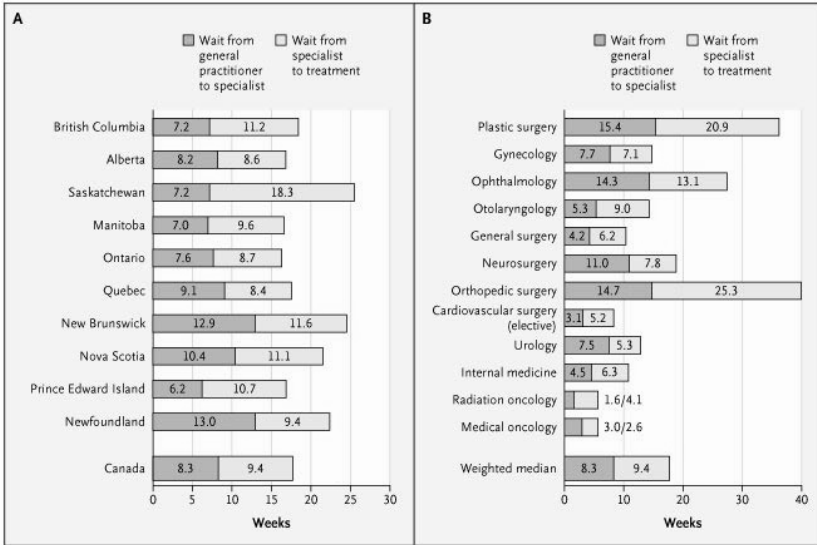
Privatization of health care may include private delivery of publicly financed core services, such as elective operations and imaging studies; private financing of care through health insurance; or direct payments by patients for services. Under the Canadian constitution, the federal government has primary responsibility for taxation, but the provinces have primary responsibility for managing health care. Depending on how it is calculated, federal funding accounts for one third or slightly more of provincial health care spending. Health spending accounts for 27 to 45% of provincial budgets. It predicts total spending on health care will hit \$96 billion this year, up 5.7 per cent increase from the 2005–2006 fiscal year. On a per capita basis, the provinces and territories are predicted to spend \$2,931 per person on health care this year, up 4.5 per cent from the previous year. Alberta will have the highest per capita spending on health among the provinces, spending \$3,315 for each of its residents, followed closely by Manitoba at \$3,284 per person. The lowest are predicted to be Quebec with \$2,581 and Prince Edward Island at \$2,749. In 2005–2006, provincial and territorial governments spent an average of 38.6 per cent of their total program expenditures on health care⁴⁹.

With the Canada Health Act of 1984, the federal government entered into a matter of provincial jurisdiction by making its health care funding conditional. The act specified requirements that provinces must fulfill to qualify for the full federal contribution, including the provision of all medically necessary services, public administration on a nonprofit basis, universal coverage, portability of coverage throughout the country, accessibility of insured services, and a lack of additional patient

⁴⁹ Canadian Institute for Health Information. October 2006.

charges. Financial penalties – mandatory dollar-for-dollar deductions from the federal payment – are imposed on provinces that allow “extra-billing and user charges”. However, enforcement is limited to these penalties and political persuasion. Thus, the act does not directly bar private delivery or private insurance for publicly insured services. Although there are laws prohibiting or curtailing private health care in some provinces, they can be changed.

Canada is anticipating an infusion of private care for core services in at least some provinces – Alberta, British Columbia, and Quebec – and various experiments combining public and private care. Such efforts aim to reduce patients’ waiting times for treatment, as well as to control public spending. The belief that more change is imminent has been heightened by the victory of the Conservative Party in national elections in January 2006, although the new government holds a minority of seats in the House of Commons.



Source: The Fraser Institute's survey of specialist physicians⁵⁰.

Fig. 5. Median Wait from Referral by General Practitioner to Treatment in 2005, According to Province (Panel A) and Specialty (Panel B).

Although overall waiting times fell slightly from 2004 to 2005, they were 90% longer in 2005 than in 1993 and substantially longer than the times that respondents believed were clinically reasonable.

Provincial governments cannot ban private care unless they guarantee that the public system will meet patients' needs without excessive waits. In a 2005 opinion poll, 80% of physicians and 65% of the public thought the ruling would reduce waiting times⁵¹. The public, however, was otherwise divided: 43% agreed that it "will allow individuals choice and the ability to control their own health care"; 54% believed "it will ultimately weaken the public health system that so many people rely on".

⁵⁰ Esmail N, Walker M. Waiting your turn: hospital waiting lists in Canada (15th edition). Vancouver, B.C., Canada: Fraser Institute, October 2005 at <http://www.fraserinstitute.ca/health/index.asp?snav=he>.

⁵¹ News release of the Canadian Medical Association, Ottawa, August 2005.

In February 2006, Quebec announced that it would improve access within the public system to tertiary cardiology and radiation oncology services and would provide hip and knee replacements and cataract surgery within six months after they recommended by a specialist⁵². If these operations cannot be performed at a government-funded hospital within that time, Quebec will pay for surgery at an affiliated private clinic in the province. If the wait extends beyond nine months, patients can receive publicly funded care at a private clinic outside Quebec or even Canada. The government will allow Quebec residents to buy private health insurance specifically for these designated services, although the scope of such insurance may be expanded in the future. Private insurance must cover all the costs, including treatment of complications, rehabilitation, and home support, so that the public system will not end up subsidizing private care. Physicians can choose to practice in either the public or the private sector – not in both – as has been the case for many years.

Also in February 2006, the Alberta government proposed a new health policy framework. Referred to as the “Third Way”, it calls for a wider role for the private sector in providing medical services, including expanding the scope of private insurance, allowing patients to purchase directly certain medically necessary services, and unlike the Quebec proposal, permitting physicians to work simultaneously in both the public and private systems. Critics contend that the reforms could have a different effect – preferential treatment for wealthy patients and longer waits for everyone else. British Columbia is also expected to expand the role of private care.

Depending on what changes in Canada and how physicians, patients, health care unions, and politicians respond, Medicare could be strengthened or undone. Many hope that there will be increased efficiency and long-awaited reforms and that Medicare will receive sufficient long-term public funding. Some fear that medical professionals will take better-paying positions in the private sector, helping to create a “two-tier” system based on the ability of patients to pay for preferential care. Though desirable, reducing waiting times may also increase demand, thereby blunting the effect of reforms. Waiting-time reduction is

⁵² Government of Quebec. *Guaranteeing access: meeting the challenges of equity, efficiency and quality – consultation document*. 2006.

also a narrow focus that may compete for attention – and government funds – with broader approaches, such as initiatives to increase the number of physicians and nurses and to improve primary care, preventive care, and services for the elderly. The ferment over private health care in Canada is complex, and it represents only one of the health care system's many challenges.

There is no single “right” solution to the future role of the federal government in funding Canada – wide health care and establishing a dispute avoidance and resolution process because there are competing views about the nature of the Canadian sharing community and the Canadian federation.

The fiscal relationship between the federal provincial and territorial governments should be re-thought and adjusted to better reflect a partnership. The model of federal-provincial fiscal relations from the era of the 1950s to the 1970s was characterized by tough negotiations, but with a determination to reach agreement. Returning to the earlier model of finding, as alternative that provides the provinces and territories with a greater voice in the outcomes is highly desirable.

The prospect of growing fiscal dividends at the federal level and of ever – rising health care costs at the provincial level inevitably raises issues of resource allocation. This in turn opens up a much larger debate about appropriate debt levels, tax burdens and other competing claims on the public purse. Improving the federal financial contribution to provincial/territorial health care programs and expanding the coverage of nation-wide health care under the Canadian Health Act are two options that deserve careful consideration in such a public debate.

Pharmaceutical policies in Canada

Pharmaceutical policy in Canada is a set at both the federal and provincial levels of government. The federal government is responsible for intellectual property rights of manufacturers (patents) and the initial approval and labeling of prescription drugs and for ensuring overall market competitiveness. The provincial government has responsibility and jurisdiction over the funding of all health care services, including pharmaceuticals. Various interactions between the pharmaceutical industry, the federal and provincial governments and consumers have shaped the current landscape for prescription drugs in Canada. One key failing of the system is that the federal government is almost completely insu-

lated from the impact of its policies because, although it regulates drug prices, it does not buy any drugs. In contrast, provincial governments have no jurisdiction over market competitiveness or pricing, yet end up paying for most of the drug expenditures incurred.

Under the Canada Health Act, a “near-universal” system of coverage has evolved that is remarkably similar in scope across the provinces. One exception, however, is the coverage provided for prescription pharmaceuticals. Although all drugs needed for treatment in hospitals are provided free of charge, outpatient prescriptions or prescriptions written in physicians’ offices are not universally covered. The type and level of outpatient drug coverage is determined by individual provincial legislatures and therefore varies by province. For pharmaceutical coverage each provincial drug plan sets specific price and other cost-containment guidelines (e.g., drug product substitution laws). More recently, several provinces have mandated that a cost-effectiveness analysis of each new drug be done to help determine if the drug should be added to their formularies (i.e., extend coverage under the provincial drug plan). The impact of the various regulations at each level of government has resulted in a uniquely Canadian landscape that is sometimes difficult to rationalize on efficiency grounds.

Drug substitution regulations have been in place in most provinces for over 3 decades. With the exception of the Reference Drug Program in BC, these regulations have exclusively focused on promoting the substitution of generic drugs for brand-name drugs. Substitution toward the cheaper generics is typically achieved by implementing product- and price-selection rules. Product selection involves switching from a branded to a generic drug, whereas price selection involves choosing the least-costly generic available. Together, these rules direct the physician to prescribe generics and the pharmacist to dispense the cheapest generic available for all prescriptions.

The costs for drugs have been increasing steadily over the last decade. They are now one of the fastest growing components of total health care expenditures in Canada, and in 1993, for the first time, drug costs exceeded payments to physicians. Given these cost pressures most provinces now conduct a second review of each new drug before it is included in the provincial drug plan as a reimbursable benefit. In this second review the new drug is typically compared with other similar

drugs (in contrast with the Federal Therapeutics Products Program, which typically compares new drugs with placebo) and, more importantly, the economic data and cost-effectiveness of the new drug are also considered.

From the late 1960s until the introduction of Bill C-22, federal and provincial policies seemed to be working in the same direction; the federal policy of compulsory licensing made cheaper generics available earlier, and the provincial substitution laws directed physicians and pharmacists to switch prescribing toward generic brands. The end result was to lower expenditures on drugs. With the introduction of Bill C-22 and then Bill C-91, which led to the abolition of compulsory licensing, federal and provincial policies have moved in opposite directions. Federal regulations allow longer patent terms, higher prices and less generic competition. At the same time provincial policies, such as requiring a cost-effectiveness justification prior to formulary listing and reference pricing, seem to be attempting to contain higher and higher drug-acquisition costs.

It would appear that one of the unfortunate realities facing the Canadian pharmaceutical marketplace is that although Ottawa regulates drug prices and patent terms, it does not face any of consequences of its policies – the provinces and the general public must pay for drug costs and suffer the consequences of federal policies. Canadian spending on medical drugs rose to almost \$25 bln in 2005, up 11% over the previous year, in a trend that critics say can't be sustained⁵³.

Drugs – mainly prescription drugs – continue to be the fastest-growing category of health spending as they have been for years. Drug spending reached 17.5% of total health spending, double the figure for 1985. But Canada remains below the median of 13 OECD countries in the amount of drug spending covered by governments. Total per capita spending was estimated at \$770 in 2005⁵⁴, but there were big variations across the country. Public-sector spending on prescribed drugs ranged from \$194 per capita in Prince Edward Island to \$341 in Quebec.

Poorer provinces need federal help to ensure they can provide adequate drug access. Advocates of a national pharmacare program say it

⁵³ Canadian Institute for Health Information. National health expenditure trends, 2005. Ottawa: The Institute; 2005.

⁵⁴ Department of Finance, Canada. 2006.

would help control costs by uniting the buying power of the provinces and by ensuring that only cost-effective drugs are used.

3.8.2. Canadian Way Conflict between Regions and the "Center"

In order to coordinate intergovernmental cooperation and to provide for non-judicial conflict resolution and accommodation, a process of intergovernmental negotiations, in effect federal-provincial bargaining, has evolved as a key mechanism of policy making in Canada today.

Canadian federal system has evolved to become a tightly integrated system where decisions affecting the federation as a whole are taken through inter-jurisdictional negotiations in intergovernmental forums. The relationship among the governmental actors is asymmetrical to be sure, but it is also constantly changing as the provincial and territorial stakeholders attempt to maximize their bargaining advantage with each other and the federal government.

Intergovernmental conflict is inevitable in as diverse a federation as Canada. Most of these conflicts can be resolved through the active participation of the partners in the federation in the ongoing process of intergovernmental bargaining. However, it is also important to recognize that agreement cannot be achieved unless there is an underlying consensus. There must be a basic agreement on fundamental political values and a shared acceptance of Canada as a legitimate and worthwhile political community.

Federal and provincial governments in Canada engage in a complex pattern of simultaneous conflict and cooperation, propelled by both political and functional imperatives. In recent years, national unity politics, in combination with tensions resulting from fiscal constraints, have had a pervasive impact across the sphere of federal-provincial relations.

If successful, this trend may result in the strengthened management of federal-provincial relations using sub-constitutional norms, rules and principles. Such an approach could replace the relatively ad hoc arrangements of the past with a system more conducive to the accountability of both levels of government to citizens. Less positively, this trend could impede established practices of functional cooperation by subjecting them to protracted debates about quasi-constitutional issues of power, recognition and status.

Federal-provincial relations are conducted centrally through executive contacts that, from time to time, produce initiatives requiring ratification by legislatures. Once intergovernmental agreements have been achieved, however, the scope for parliamentary influence is normally extremely limited. Changes by one legislature could result in significant delay, or cause intergovernmental agreements to unravel.

Several mechanisms permit “front-end” input by Parliament. These include the pre-budget consultations of the Standing Committee on Finance, the special committees periodically established to consult the public on constitutional proposals, and studies by standing committees of policy issues having an intergovernmental component. Governments may, however, accept or reject such input.

General conclusions

The conducted statistical and qualitative analysis of the institutions existing in the Russian regions has revealed a considerable reduction in the diversity of these institutions. Even the much upgraded apparatus of statistical analysis has managed to register only a residual influence exerted by these institutions on the business climate in the regions.

Neither the reduction in the diversity of institutions in the Russian regions, taken alone, nor the present study in general can be interpreted as an unambiguous confirmation of the fact that the quality of institutions in Russia has been significantly declining during the four past years. Naturally, being researchers of regional institutions, we are certainly interested in the preservation of these institutions and in the growth of their diversity. It does not mean, however, that both society and the citizens should necessarily share our point of view. The former model of diversity was severely criticized by us, and we recommended that measures should be taken against certain local initiatives described in our previous works, especially when these initiatives contradicted the Constitution.

It should be noted that some meaningful results were achieved in this direction, including the unification of budget legislation, the arrangement of tax benefits, the discontinuation of regional initiatives aimed at price regulation, and the lowering of barriers that had hampered the movement of labor force and goods (by comparison with the situation in the 1990s). Alongside the adoption of federal legislation on the deregulation of the economy, these changes did create conditions

for significant improvement of the business climate and for healthy economic growth. Unfortunately, these hopes were not to come true.

The reduction in diversity and even the formal transition to a unitary state in Russia (the solution we cannot consider fortunate) alongside the consolidation of the judiciary's independence, the toughening of the procedure for selecting candidates and the transparency of this procedure, and the reforming of law-enforcement agencies including a significant narrowing and clarifying the tasks of each level and agency could have resulted in a considerable improvement of the situation, in a qualitative breakthrough, and to the creation of favorable conditions for long-term economic growth.

However, the process of unification of the institutions was nearly reversed. As a result, the reduction in diversity became a totally unjustifiable experiment, aimed at building an "original" model of democracy, which produced a predictable disbalance and incapacity of the system.

The obtained results have not made it possible to reject the hypothesis that the State's ability to improve the business climate in the regions did, indeed, decrease in the past four years. Both because of the loss of prestige of regional authorities, and because of a lack of effective feedback and balances, as well as owing to the "competition" when the executive authorities protect the budget from the legislative authorities, while being closely watched by the press, the specific bodies of state prosecution defend the position of the prosecution and the data presented by law-enforcement agencies in the courts of justice, while also being closely watched by the press and controlled by civil society. The private interests of officials, politicians, journalists, lobbyists and businessmen more frequently change the situation to the better rather than to the worse, and make otherwise suppressed information accessible to everybody.

But at present, as is shown in the study, all these standard mechanisms, successfully tested in the scores of countries, are gradually losing their ability to change the situation to the better.

The only known solution of the issue of a successful long – term catching – up development could be found only through restoring the legal and political mechanisms of legal democracy, alongside the creation of such mechanisms at the federal level.

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Annex 1

Comparative Table of RF Subjects' Budget regulations main features

Federation's Subject	Presence of its own budget legislation (yes/no)	Degree of similarity to federal budget legislation, presence of conflicts with federal legislation
1	2	3
Agin-Buriat Autonomous Okrug	-	-
Adygeya (Republic of)	Yes	Law "On the budget organization and the budgeting process in the Republic of Adygeya" of 25 June 2002, No. 73. Its main provisions are, in fact, identical to those stipulated in the federal Budget Code, with the exception of the extremely detailed chapter on financial control
Altay (Republic of)	Yes	Law "On the budgeting process in the Republic of Altay" of 27 July 2005, No. 57-RZ. Its main provisions are compatible with the federal Budget Code
Altay Krai	Yes	Law "On the budget organization, the budgeting process and financial control in Altay Krai" of 11 November 2005, No. 98-ZS. This document is concise and generally replicates the provisions stipulated in the federal Budget Code
Amur Oblast	Yes	Budget Code of Amur Oblast of 12 September 2005, No. 49-OZ. Its text is almost identical to that of the federal Budget Code
Archangelsk Oblast	Yes	Oblast law "On the budgeting process in Archangelsk Oblast" of 21 June 2006, No. 186-11-OZ. Its main provisions are compatible with the federal Budget Code. The procedure for public hearings of the text of a draft budget is envisaged. The institution of priority expenditure items is established – their list is to be determined annually by the law on budget. The budget control procedures are subject to detailed regulation
Astrakhan Oblast	Yes	Law "On the budgeting process in Astrakhan Oblast" of 23 October 2001, No. 46/2001-OZ. Its main provisions are similar to those stipulated in the federal Budget Code; the procedure for locking expenditures is described in detail; the budgeting powers of the oblast administration are expanded (e.g., an exclusive right to compile the list of regional target programs is stipulated). The budget control procedures have been left almost entirely unregulated
Bashkortostan (Republic of)	Yes	Law "On the budgeting process in the Republic of Bashkortostan" of 15 July 2005, No. 205-z. Its main provisions are similar to those stipulated in the federal Budget Code

1	2	3
Belgorod Oblast	Yes	Law "On the budget organization and the budgeting process in Belgorod Oblast", of 25 November 2005, No 2. Its main provisions are similar to those stipulated in the federal Budget Code, although some procedures unknown to federal legislation are envisaged (a public experts' estimation of those laws whose provisions contradict those stipulated in the law on budget organization; a conciliation procedure within the framework of the consideration of a draft budget law)
Briansk Oblast	Yes	Law of Briansk Oblast "On the procedure for the consideration and approval of the oblast budget" of 13 July 2001, No. 53-Z. It is a very short document (consisting of only 15 articles), its text being compatible with the federal Budget Code. The procedure for adopting regional target programs is subject to a rather detailed regulation
Buryatia (Republic of)	Yes	Law "On the budget system and the budgeting process in the Republic of Buryatia" of 6 July 2005, No. 1243-III. The norms established by this law are, in general, similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings
Vladimir Oblast	Yes	Law "On the budgeting process in Vladimir Oblast" of 24 November 2000, No. 82-OZ. Its main provisions are similar to those stipulated in the federal Budget Code. A mandatory procedure for public hearings during the development of a draft budget is envisaged.
Vologograd Oblast	Yes	Law "On the budgeting process in Volgograd Oblast" of 13 July 2001, No. 566-OD. Its main provisions are compatible with the federal Budget Code. The procedure for the development, adoption and execution of the budget is more detailed than that established by federal legislation. The law consolidates the responsibility of the oblast bodies of authority to defend the Oblast's interests at the federal level, to take part in the development of the federal budget for the Oblast's interests to be given due regard therein, as well as to demand compensation from the federal authorities for the damages inflicted as a result of their decisions made during the execution of the oblast budget
Vologda Oblast	Yes	Law "On the budgeting process in Vologda Oblast" of 29 March 2002, No. 772-OZ. Its main provisions are compatible with federal Budget Code. The right to select appropriate regional target programs is consolidated to the Oblast Duma. The formation of financial reserves is envisaged to be used exclusively for purposes of ensuring a well-balanced oblast budget
Voronezh Oblast	Yes	Law "On the budgeting process in Voronezh Oblast" of 15 October 2002, No. 67-OZ. Its text is nearly identical to that of the federal Budget Code, with a few exceptions: firstly, the possibility of executing the budget liabilities by means of set-offs and opportunities for changing the size of consolidated allotments within the limit of 15% (in federal legislation – 10%); secondly, the budget's judicial immunity is consolidated, with the exceptions of claims in respect to damages inflicted by the actions of the bodies of authority, and the claims of the recipients of budget funding

1	2	3
Dagestan (Republic of)	Yes	Law "On the budgeting process and interbudgetary relations in the Republic of Dagestan" of 6 June 2005, No. 23. The norms established by this law are mainly similar to those stipulated in the norms of the federal Budget Code. The budget is to be adopted in two readings. The budget control procedure is described in detail
Jewish Oblast	Yes	Law of Jewish Autonomous Oblast "On the budgeting process» of 24 November 2004, No. 373-OZ. Its text is nearly identical to that of the federal Budget Code. The procedure for public hearings of the text of a draft budget is envisaged
Ivanovo Oblast	Yes	Budget Code of Ivanovo Oblast of 14 December 2000, No. 86-OZ. This act is very detailed; the majority of its norms are, in fact, similar to those stipulated in the federal Budget Code, although there are also some innovations, e.g., the procedure for spending the budget surplus and the relations between the oblast authorities with the enterprises that receive credits and investments from the budget
Ingushetia (Republic of)	Yes	Law "On the foundations of the budget organization and the budgeting process Republic of Ingushetia" of 20 January 2003, No. 5-RZ. It is a very short document (consisting of only 19 articles), which regulates, in very general terms, the budget organization and the budgeting process
Irkutsk Oblast	Yes	Law "On the budgeting process in Irkutsk Oblast" of 14 December 2001, No. 22/68-oz. Its main provisions are similar to those stipulated in the federal Budget Code. A mandatory procedure for public hearings when developing a draft budget is envisaged
Kabardino- Balkaria (Re- public of)	Yes	Law "On the budget organization and the budgeting process in the Republic of Kabardino-Balkaria" of 11 January 2003, No. 4-RZ. Its main provisions are similar to those stipulated in the federal Budget Code. A mandatory procedure for public hearings when developing a draft budget is envisaged. Rather rigid requirements to the procedure of developing a draft budget are established (to substantiate the draft, the administration is required to submit a substantial body of documents)
Kaliningrad Oblast	Yes	Law "On the budgeting process in Kaliningrad Oblast" of 23 May 2002, No. 98. Its main provisions are similar to those stipulated in the federal Budget Code, with some minor changes and additions
Kalmykia (Re- public of)	Yes	Law "On the budgeting process in the Republic of Kalmykia" of 20 December 2005, No. 235-III-Z. Its main provisions are similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings. The possibility to create a temporary financial administration – an executive body empowered to prepare and implement measures designed to restore the solvency of a municipal formation, and to execute and (or) control the execution of some of the budgeting powers assigned to the bodies of local self-government, is envisaged in the Law (this norm is to come in force from 1 January 2008)

1	2	3
Kaluga Oblast	Yes	Law "On the budgeting process in Kaluga Oblast" of 27 June 2005, No. 78-OZ. Its main provisions are compatible with the federal Budget Code; however, more significant powers are granted to the bodies of executive authority (in particular, the government is to approve the stages of a budget's development and approval, as well as to execute, together with the Duma and the Controlling – Clearing House, the budget control procedure)
Kamchatka Oblast	Yes	Budget Code of Kamchatka Oblast of 14 March 2000, No. 79. Its text is nearly identical to that of the federal Budget Code
Karachaevo-Cherkessian Republic	Yes	Law "On the budgeting process in the Karachaevo-Cherkessian Republic" of 10 October 2002, No. 39-RZ. This is one of the most problematic regions, in terms of the compatibility of its regional legislation with federal legislation. There exist some gaps in the Law, for example as follows: no timelines are established for the budget revenue and expenditure being made available to the administrators and recipients of budget funding, nor those for compiling and approving the estimates of revenues and expenditures of budget-funded institutions
Karelia (Republic of)	Yes	Law "On the budgeting process in the Republic of Karelia" of 21 July 2001, No. 527-ZRK. Its main provisions are compatible with the federal Budget Code
Kemerovo Oblast	Yes	Law "On the budgeting process in Kemerovo Oblast" of 14 November 2005, No. 111-OZ. This act is rather brief, and to a very small degree replicates the provisions stipulated in federal legislation. Its main provisions are compatible with the federal Budget Code
Kirov Oblast	Yes	Law "On the budgeting process in Kirov Oblast" of 12 May 2004, No. 235-ZO. Its main provisions are compatible with the federal Budget Code. Extensive powers are granted to the Oblast Legislative Assembly
Komi (Republic of)	Yes	Law "On the budget system and the budgeting process in the Republic of Komi" of 9 January 2002, No. 2-RZ. Its main provisions are compatible with the federal Budget Code, the budgeting process is described in minute detail. The budget is to be adopted in two readings. The formation of a special financial reserve is envisaged, to cover the temporary cash gaps emerging during the execution of the Republic's budget. The financial reserve in the Republic's budget is to be formed from the residuals on the accounts of the Republic's budget
<i>Komi-Permiak Autonomous Okrug (presently part of the Republic of Komi)</i>	---	---

1	2	3
<p><i>Koriak Autonomous Okrug (pres- ently part of Kamchatka Oblast)</i></p>	---	---
<p>Kostroma Oblast</p>	Yes	<p>Law "On the budget organization and the budgeting process in Kostroma Oblast" of 28 December 2005, as amended by Law of Kostroma Oblast of 25 January 2006, No. 1-4-ZKO. There are no formulations in this Law which can be regarded as replicas of those contained in the Budget Code. The right of the legislative initiative is consolidated not to the Oblast Administration only, but also to the Oblast Duma, which develops the budget's concept. There is no specific regulation concerning certain aspects of the budgeting process, only the reference of these aspects to the sphere of competence of a certain body</p>
<p>Krasnodar Krai</p>	Yes	<p>Law "On the budget organization and the budgeting process in Krasnodar Krai" of 4 February 2002, No. 437-KZ. Its text is nearly identical to that of the federal Budget Code</p>
<p>Krasnoyarsk Krai</p>	Yes	<p>Law "On the budgeting process in Krasnoyarsk Krai" of 28 October 2003, No. 8-1467. Its text is nearly identical to that of the federal Budget Code</p>
<p>Kurgan Oblast</p>	Yes	<p>Law "On the budget organization and the budgeting process in Kurgan Oblast" of 5 December 2005, No. 99. Its main provisions are compatible with the federal Budget Code</p>
<p>Kursk Oblast</p>	Yes	<p>Law "On the budgeting process in Kursk Oblast" of 18 June 2003, No. 33-ZKO. Its text is nearly identical to that of the federal Budget Code</p>
<p>Leningrad Oblast</p>	Yes	<p>Law "On the budgeting process in Leningrad Oblast" of 26 September 2002, No. 36-oz. Its text is nearly identical to federal budget legislation; there are numerous references to the Budget Code. The budget is to be adopted in four readings</p>
<p>Lipetsk Oblast</p>	Yes	<p>Law "On the budgeting process in Lipetsk Oblast" of 25 November 2002, No. 19-OZ. Despite its title, the Law regulates predominantly the budget organization; the Law's structure is somewhat short of logic (the stipulations concerning the norms on a budget's execution precede those concerning those on its adoption). Its text is nearly a complete replica of that of the federal Budget Code</p>
<p>Magadan Oblast</p>	Yes	<p>Law "On the budgeting process in Magadan Oblast" of 15 July 2003, No. 379-OZ. Its main provisions are compatible with the federal Budget Code. The specific feature of this Law is as follows: 1) the budget is to be adopted in two readings, while clearly determined and rigid timelines are established for the draft budget to be considered by the Oblast Duma, and 2) the execution of a budget was consolidated to the oblast bodies of executive authority as early as 2004, in contrast to the treasury execution procedure envisaged in the majority of other regions</p>

1	2	3
Mariy El (Republic of)	Yes	Law "On the regulation of interbudgetary relations in the Republic of Mariy El" of 2 December 2004, No. 46-3. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings. The institute of public and municipal debt is subject to very detailed regulation. The possibility to create a temporary financial administration in order to restore the solvency of a municipal formation is envisaged (the norm is to come in force from 1 January 2008)
Mordovia (Republic of)	Yes	Law "On the budgeting process in the Republic of Mordovia" of 27 June 2001, No. 40-Z. It is a very short document (consisting of only 26 articles, one of which consists of summing-up provisions). Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings
Moscow	Yes	Law of the City of Moscow "On the budget organization and the budgeting process in the City of Moscow" No. 51, of 9 October 2002. In general, the Law contains references to the RF Budget Code. It is important to note that: 1. the possibility to spend budget funding in excess of the established limits when concluding state contracts (Article 12) 2. the budget should be based on the minimum financial standards established for the state and municipal services. The budget is to be adopted in two readings in accordance with a standard pattern
Moscow Oblast	Yes	Law "On the budget organization and the budgeting process in Moscow Oblast" of 12 October 1995, No. 31/95-OZ. Its main provisions are coordinated with the federal Budget Code, with the exception of Article 9, which envisages the possibility of the budget's execution in cash terms by banks, which is contrary to federal legislation. Extensive powers are granted to the Oblast Duma: it may, in cooperation with the oblast administration, to develop a draft budget and to compile the list of regional target programs
Murmansk Oblast	Yes	Law of Murmansk Oblast "On the budgeting process in Murmansk Oblast" of 15 June 2000, No. 203-01-ZMO. Its main provisions are similar to those of the federal Budget Code; however, the regulation of some aspects is more detailed and better substantiated (in particular, the criteria for selecting regional target programs are offered, the actual choice being made by the Oblast Duma, and not by the bodies of executive authority); the controlling powers of Oblast Duma are broader
Nenets Autonomous Okrug	Yes	Law "On the budget organization and the budgeting process in Nenets Autonomous Okrug" of 10 April 2000, No. 231-OZ. The law's text is nearly identical to that of the federal Budget Code, with the exception of the chapter on financial control, which has been substantially augmented
Nizhnii - Novgorod Oblast	Yes	Law "On the budget system and the budgeting process in Nizhnii - Novgorod Oblast" of 25 October 2005, No. 172-Z. The document is very detailed and consists of 261 articles; however, its text is nearly identical to that of the federal Budget Code

1	2	3
Novgorod Oblast	Yes	Oblast law "On the budgeting process in Novgorod Oblast" of 14 June 2005, No. 506-OZ. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings
Novosibirsk Oblast	Yes	Law "On the budget organization and the budgeting process in Novosibirsk Oblast" of 19 July 2006, No. 18-OZ. Its main provisions are compatible with the federal Budget Code. Rather rigid requirements to the development of a draft budget are established (the administration must submit more than 25 documents in order to substantiate the draft)
Omsk Oblast	Yes	Law "On the budgeting process and interbudgetary relations in Omsk Oblast" of 04 November 2000, No. 257-OZ. Its main provisions are compatible with the federal Budget Code. The procedure for public hearings during the development of a draft budget is envisaged. The budget is to be adopted in two readings. The Law consolidates the procedure for the formation of all oblast funds and the methodology for distributing dotations through them (including computation formulae)
Orenburg Oblast	Yes	Law "On the budget organization and the budgeting process in Orenburg Oblast" of 1 September 2005, No. 2552 /463-III-OZ. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings (additional editing can be possible, by a task force appointed by the Legislative Assembly, in accordance with the results of the second reading)
Orel Oblast	Yes	Law "On the budget organization and the budgeting process in Orel Oblast" of 27 June 2005, No. 518-OZ. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in no less than two readings
Penza Oblast	Yes	Law "On the budget organization and the budgeting process in Penza Oblast" of 7 April 2003, No. 463-ZPO. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings
Perm Krai	Yes	Law "On the budgeting process in Perm Krai" of 10 July 2006, No. 8-KZ. Its main provisions are compatible with the federal Budget Code. The procedure of public hearings during the development of a draft budget is envisaged. The right of the Krai Legislative Assembly to submit budgeting initiatives to the federal level, as well as the duty of the kraï executive bodies to defend the kraï's budgeting rights and interests in the federal bodies of authority, are consolidated
Primorskii Krai	Yes	Law of Primorskii Kraï "On the budget organization, the budgeting process and interbudgetary relations in Primorskii Kraï", No. 271-KZ of 2 August 2005. The Law is very detailed, containing the descriptions of the powers and responsibilities of all the participants in the budgeting process, down to the recipients. There are numerous interbudget funds (6 at the kraï level alone), the procedure for spending their resources being determined by the kraï administration. All its provisions are compatible with the federal Budget Code

1	2	3
Pskov Oblast	Yes	Law "On the budgeting process in Pskov Oblast" of 9 December 2000, No. 110-oz. Its main provisions are compatible with the federal Budget Code
Rostov Oblast	Yes	Law "On the budgeting process in Rostov Oblast" of 6 August 1996, No. 22-ZS. Its main provisions are similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings. The list of the initiators of the development of regional target programs has been expanded: in addition to executive bodies, the right of initiative is granted to the Oblast Legislative Assembly, the bodies of local self-government and to state institutions
Riazan Oblast	Yes	Law "On the interbudgetary relations in Riazan Oblast" and the Law "On the budgeting process in Riazan Oblast" of 14 October 2005, No. 102-OZ. Its main provisions are similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings
Samara Oblast	Yes	Law "On the budgeting process and the budget organization in Samara Oblast" of 28 December 2005, No. 235-GD. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings. The issues relating to the creation and functioning of target funds are subject to very detailed regulation. The mandatory creation of a conciliation commission is envisaged (8 representatives from the Gubernian Duma and 8 representatives of the Governor) for purposes of additional development and editing of all draft budget laws
St. Petersburg	Yes	Law of St. Petersburg "On the budgeting process in St. Petersburg", No 666-102 of 26 December 2005. The procedure for adopting a budget is fully compatible with the federal Budget Code. The expenditure is to be determined strictly by the St. Petersburg Legislative Assembly, with the following exceptions: 1. expenditures from federal subventions; 2. expenditures from reserve funds (in both cases, the decision is to be adopted by the St. Petersburg Government)
Saratov Oblast	Yes	Law "On the budgeting process in Saratov Oblast" of 9 March 2006, No. 23-ZSO. The document is rather short. Its main provisions are compatible with the federal Budget Code. The draft budget is to be developed by the interdepartmental commission, the deputies of the Oblast Duma having the right to become members thereof. The budget is to be adopted in two readings
Sakha (Yakutia) (Republic of)	Yes	Law "On the budget organization and the budgeting process in the Republic of Sakha (Yakutia)" of 14 April 2004, 124-Z No. 251-III. Its main provisions are nearly identical to those stipulated in the federal Budget Code. The issues relating to the creation and functioning of a temporary financial administration are subject to very detailed regulation

1	2	3
Sakhalin Oblast	Yes	Law "On the budgeting process in Sakhalin Oblast", No. 199 of 18 July 2000. Its main provisions are compatible with the federal Budget Code
Sverdlovsk Oblast	Yes	Law "On the budgeting process in Sverdlovsk Oblast" of 25 November 1994, No. 8-OZ. It is an extremely short document (consisting of only 16 articles), briefly reproducing the provisions stipulated in the federal Budget Code
North Osetia – Alania (Republic of)	Yes	The draft law "On the budgeting process in Sverdlovsk Oblast" is presently undergoing the stage of being discussed
Smolensk Oblast	Yes	Oblast Law of Smolensk Oblast "On the procedure for the submission, consideration and adoption of the oblast law on the oblast budget, and on procedure for the introduction of changes and amendments to the oblast law on the oblast budget" of 16 August 2001, No. 57-z. It is a very short document (consisting of only 26 articles), briefly reproducing the provisions stipulated in the federal Budget Code
Stavropol Krai	Yes	Law "On the budgeting process in Stavropol Krai" of 12 November 2004, No. 94-kz. Its main provisions are compatible with the federal Budget Code. The procedure for developing a draft budget has been made more complex: the development of a draft budget is to be preceded by the development of the concept of a krai consolidated budget. The budget is to be adopted in two readings; however, on the basis of the results of the second reading the editorial commission should introduce necessary amendments to the draft law
Taimyr (Dolgano-Nenets) Autonomous Okrug	Yes	Law "On the budget organization and the budgeting process in Taimyr (Dolgano - Nenets) Autonomous Okrug" of 28 December 2000, No. 19-OKZ. The Law is very detailed; however, its text is nearly identical to that of the federal Budget Code
Tambov Oblast	Yes	Law "On the budget organization and the budgeting process in Tambov Oblast" of 28 October 2005, No. 369-Z. Its main provisions are almost similar to those stipulated in the federal Budget Code
Tatarstan (Republic of)	Yes	The Budget Code of the Republic of Tatarstan of 29 May 2004, No. 35-ZRT. Its main provisions are similar to those of the federal Budget Code; however, the requirements in respect to some points have been made more rigid (thus, budget deficit is limited to 10% only, instead of 15%, as envisaged in federal legislation; the institute of state debt is subject to more strict regulation; the requirements to the execution of budgets at the local level are also very strict); the process of developing and adopting the regional budget has been made more detailed

1	2	3
Tver Oblast	Yes	Law "On the interbudgetary relations in Tver Oblast" and the Law "On the budgeting process in Tver Oblast" of 18 January 2006, No. 13-ZO. Its main provisions are compatible with the federal Budget Code. The requirements to the development of regional target programs and the procedures for their adoption are established thereby. There exist rather rigid requirements to the substantiation of a draft budget (the administration must submit 27 documents containing the budget's characteristics)
Tomsk Oblast	Yes	Law "On the budgeting process in Tomsk Oblast" of 11 November 2005, No. 197-OZ. Its main provisions are compatible with the federal Budget Code. Public hearings during the development of a draft budget are envisaged, on the initiative of the Oblast Duma. The budget is to be adopted in two readings
Tula Oblast	Yes	Law "On the budgeting process in Tula Oblast" of 7 June 2004, No. 449-ZTO. Its main provisions are compatible with the federal Budget Code. Rather rigid requirements to the substantiation of a draft budget have been established (the administration must submit 28 documents containing the budget's characteristics). Financial control is subject to detailed regulation.
Tyva (Republic of)	Yes	Law "On the budgeting process in the Republic of Tyva" of 20 November 2005, No. 1127 VKh-1. Its main provisions are compatible with the federal Budget Code
Tumen Oblast	Yes	Law "On the budgeting process in Tumen Oblast" of 12 October 2001 No.426. It is a very short document (consisting of only 19 articles). Its main provisions are similar to those stipulated in the federal Budget Code, with some minor changes and amendments
Republic of Udmurtia	Yes	Law "On the budgeting process in the Republic of Udmurtia" of 30 June 2004, No. 33-RZ. Its main provisions are similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings
Ulianovsk Oblast	Yes	Law "On the budgeting process in Ulianovsk Oblast" of 29 November 2005, No. 130-ZO. Its main provisions are similar to those stipulated in the federal Budget Code. The budget is to be adopted in two readings
Khabarovsk Krai	Yes	Budget Code of Khabarovsk Krai of 28 July 1999, No. 152. Its text is nearly identical to that of the federal Budget Code
Khakassia (Republic of)	Yes	Law "On the budgeting process and interbudgetary relations in the Republic of Khakassia" of 24 October 2005, No. 69-ZRKh. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings

1	2	3
Khanty-Mansi Autonomous Okrug	Yes	Law "On the procedure for the development, consideration and the approval of the draft budget of Khanty-Mansi Autonomous Okrug – Yugra, and the control over the execution of the budget of Khanty-Mansi Autonomous Okrug – Yugra" of 18 April 2001, No. 38-oz. It is an extremely short document (consisting of 19 brief articles), which regulates the budgeting process in very generalized terms
Cheliabinsk Oblast	Yes	Law "On the budgeting process in Cheliabinsk Oblast" of 27 October 2005, No. 418-ZO. Its main provisions are compatible with the federal Budget Code. To the budget-funded institutions, the right to independently determine the areas for cash expenditures in an event of insufficient or delayed funding is consolidated, as well as the right to receive compensation in the amount of insufficient funding, to be effectuated in the judicial procedure
Chechen Republic of Chita Oblast	-	
	Yes	Law "On the budgeting process in Chita Oblast" of 30 January 2002, No. 343-ZChO. It is a rather short document. Its main provisions are compatible with the federal Budget Code
Chuvashia (Republic of)	Yes	Law "On the regulation of budget relations in the Republic of Chuvashia of 23 July 2001, No. 36. Its main provisions are compatible with the federal Budget Code. The institute of state debt is minutely regulated, with specific formulae for computing revenues, as well as the methodology for spending the resources from the target budget funds and for granting subventions. The existence of a regional development budget is envisaged (the resources earmarked specifically for capital investments). Priority items are determined, which are to be executed in full on an unconditional basis (social expenditures, the servicing and redemption of the state debt, the execution of the development budget)
Chukotka Autonomous Okrug	Yes	Law "On the budgeting process in Chukotka Autonomous Okrug", adopted in 2003
Evenk Autonomous Okrug	Yes	-
Yamal - Nenets Autonomous Okrug	Yes	Law "On the budget organization and the budgeting process in Yamal - Nenets Autonomous Okrug" of 10 November 2002, No. 58-ZAO. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings
Yaroslavl Oblast	Yes	Law "On the budget organization and the budgeting process in Yaroslavl Oblast" of 19 April 2006, 19-z. Its main provisions are compatible with the federal Budget Code. The budget is to be adopted in two readings. The procedure of public hearings during the development of a draft budget is envisaged. The law allows that claims might be filed in respect to budget resources in the event of insufficient funding being received by a recipient of budget funding, or in an event of damages being inflicted by the actions of the oblast authorities

It should be noted that in nearly all the budget laws adopted by RF subjects the right of their legislative bodies to introduce further details into the RF budget classification is envisaged, thereby increasing the transparency of budget items.

Regional legislations have been made almost fully compatible with federal legislation, although in many cases this has been achieved by simply reproducing the provisions of the RF Budget Code, without any changes or innovations whatsoever.

Regional tax privileges in the Russian Federation

The tax system, as it has emerged in Russia since 1991, has been granting significant powers to the regions in the sphere of taxation. This standpoint was largely assumed because of the weakness of the federal authority, as well as the separatist ideas that were quite widespread in some of the republics. Following the example of the Republic of Tatarstan, the agreements on the division of powers were signed with many of the federation's subjects, which, among other things, also endowed these subjects with greater opportunities for implementing their own tax policies than it was established by Russia's Constitution. In some cases, regional authorities were acting directly in violation of federal legislation. Thus, in the mid-1990s, the Republic of Yakutia – Sakha suspended, for the period of two years, the transfer of tax revenues to the federal budget. The policy of granting individual tax exemptions has become quite widespread, as well as the granting of tax exemptions by decisions of both executive and representative bodies of a region, the imposition of unlawful bans on the movement of goods and services, and an unlawful administrative control over pricing.

With the adoption of the Tax Code of the Russian Federation, the powers of regional authorities in the sphere of tax policy became much narrower; a close list of taxes was established, with a ban on the granting individual tax exemptions. Regional authorities, especially in those regions where the level of political culture is low and the institutes of civil society are underdeveloped, for several years have been maintaining certain practices that were directly forbidden by the federal laws enacted in the years 1997–1999. This problem is dealt with in more detail in the previous paper belonging to this series of studies.

Our study has demonstrated that in the period of 1999–2005 the federal authorities succeeded in nearly entirely eliminating the practice of granting individual tax exemptions in an explicit form. The Legal Information System “Consultant” contains no normative acts adopted by regional authorities which explicitly grant tax exemptions to individual taxpayers.

It is still too early to speak of a complete elimination of the practice of individual tax exemptions being granted at the level of municipal formations. One example is Decree of Makhachkala City Assembly of 3 June 2005, No. 16-3b, “On exempting the Makhachkala – based markets of the Dagpotrebsoius [the Dagestan Union of Consumer Cooperatives] from the taxes transferable to the local budget in the year 2005”.

The reasons for the abolition of those normative acts that established individual tax exemptions can be placed within three main categories: the expiry of the period for which an exemption had been granted, the abolition by a ruling of a court of justice, and the abolition of a normative act by decision of a body of state authority of a subject of the Federation.

Despite the neatly complete disappearance of explicit individual tax exemptions in the regional practices, it is impossible to determine any distinct timelines as to when exactly such practices actually disappeared. As a rule, the dubious provisions were not disappearing as a result of their abolition; a more common reason was the expiry of the period for which a privileged taxation regime had been granted, normally determined in the document that had introduced such a regime, this period, most often, being equal to one year.

It should be also taken into account that regional authorities have, actually, found new forms that formally do not violate federal legislation, but in fact preserve the habitual state of affairs. There does exist a rather widespread practice when a certain privilege is established for a certain category of taxpayers by a regional law, and then later, by decision of a body of executive authority, the list of taxpayers belonging to that privileged category is introduced. Another possible variant is a decision of the head of a body of executive authority recommending to the lawmakers that tax privileges should be granted to certain categories of taxpayers.

Other indices, applied in the first phase of the study, have since lost their significance. The Federation's subjects have, in some or other form, issued regional normative acts that establish the procedure for granting tax exemptions or make references to the corresponding articles of federal laws, and primarily the articles of the Tax and Budget Codes. Group tax exemptions are established by all the bodies of representative authority of subjects of the Federation.

On the strength of the accumulated information, it was decided that the data concerning regional tax exemptions should not be applied in the estimation model.

In 2007, the situation in the sphere of regional tax privileges may be significantly changed by the provisions of Federal Law No. 135 "On competition", which grant to the territorial agencies of the Anti-Monopoly Service the right to coordinate the decisions made by bodies of authority concerning the granting of state or municipal support in the part relating to the protection of competition (Article 20 of the said law).

Annex 2

Canadian provincial and federal elections' outcome statistics 1945–2006

(On the base of statistics and websites of Canadian political parties, election Canada, Canadian provincial governments).

Table A2-1

Prime Ministers of Canada (since 1945)

Term	Prime Minister	Party
1935–1948	William Lyon Mackenzie King	Liberal
1948–1957	Louis St. Laurent	Liberal
1957–1963	John Diefenbaker	Progressive Conservative
1963–1968	Lester B. Pearson	Liberal
1968–1979	Pierre E. Trudeau	Liberal
1979–1980	Charles Joe Clark	Progressive Conservative
1980–1984	Pierre E. Trudeau	Liberal
1984	John Turner	Liberal
1984–1993	Brian Mulroney	Progressive Conservative
1993	Kim Campbell	Progressive Conservative
1993–2003	Jean Chrétien	Liberal
2003–2006	Paul Martin	Liberal
2006	Stephen Harper	Conservative

Since 1945 The Liberal Party of Canada has 43 years of federal governing and the Progressive Conservative Party has 18 years.

Canadian provincial elections' outcome statistics 1945–2006

Table A2-2

Premiers of British Columbia

Term	Premier	Party
1	2	3
1941–1947	John Hart	Liberal*
1947–1952	Byron Johnson	Liberal*
1952–1972	W. A. C. Bennett	Social Credit
1972–1975	David Barrett	New Democratic Party
1975–1986	William R. Bennett	Social Credit
1986–1991	Bill Vander Zalm	Social Credit

1	2	3
1991	Rita Johnston	Social Credit
1991–1996	Michael Harcourt	New Democratic Party
1996–1999	Glen Clark	New Democratic Party
1999–2000	Dan Miller	New Democratic Party
2000–2001	Ujjal Dosanjh	New Democratic Party
2001	Gordon Campbell	Liberal

* Coalition.

Since 1945 The Liberal Party (BC) has 12 years of provincial governing and the Progressive Conservative Party (BC) has 0 years.

Table A2-3

Provincial Election Results – British Columbia

YEAR	LIB	NDP*	PC	SC	C	OTH	TOTAL
1945	-	10	-	-	37	1	48
1949	-	7	-	-	39	2	48
1952	6	18	4	19	-	1	48
1953	4	14	1	28	-	1	48
1956	2	10	-	39	-	1	52
1960	4	16	-	32	-	-	52
1963	5	14	-	33	-	-	52
1966	6	16	-	33	-	-	55
1969	5	12	-	38	-	-	55
1972	5	38	2	10	-	-	55
1975	1	18	1	35	-	-	55
1979	-	26	-	31	-	-	57
1983	-	21	-	35	1	1	57
1986	-	22	-	47	-	-	69
1991	17	51	-	7	-	-	75
1996	33	39	-	-	3	3	75
2001	77	2	-	-	-	-	79
2005	46	33	-	-	-	-	79

Notes:

Known as the Co-operative Commonwealth Federation until 1961.

LIB – Liberal Party,

NDP – New Democratic Party,

PC – Progressive Conservative Party,

SC – Social Credit,

C – Coalition,

OTH – Other.

Table A2-4

Premiers of Alberta

Term	Premier	Party
1943–1968	Ernest C. Manning	Social Credit
1968–1971	Harry Strom	Social Credit
1971–1985	Peter Lougheed	Progressive Conservative
1985–1992	Donald Getty	Progressive Conservative
1992	Ralph P. Klein	Progressive Conservative

Table A2-5

Provincial Election Results – Alberta

YEAR	LIB	NDP	PC	SC	OTH	TOTAL
1948	2	2	-	51	2	57
1952	3	1	2	53	1	60
1955	15	2	3	37	4	61
1959	1	-	1	62	1	65
1963	2	-	-	60	1	63
1967	3	-	6	55	1	65
1971	-	1	49	24	1	75
1975	-	1	69	4	1	75
1979	-	1	74	4	-	79
1982	-	2	75	-	2	79
1986	4	16	61	-	2	83
1989	8	16	59	-	-	83
1993	32	-	51	-	-	83
1997	18	2	63	-	-	83
2001	7	2	74	-	-	83
2004	17	4	61	-	1	83

Since 1945 The Liberal Party (Alberta) has 0 years of provincial governing and the Progressive Conservative Party (Alberta) has 35 years.

Table A2-6

Premiers of Saskatchewan

Term	Premier	Party
1944–1961	Tommy Douglas	CCF
1961–1964	W. S. Lloyd	CCF-NDP
1964–1971	W. Ross Thatcher	Liberal
1971–1982	Allan E. Blakeney	New Democratic
1982–1991	Grant Devine	Progressive Conservative
1991–2001	Roy Romanow	New Democratic
2001	Lorne Calvert	New Democratic

Table A2-7

Provincial Election Results – Saskatchewan

YEAR	LIB	NDP	SASK	PC	OTH	TOTAL
1944	5	47	-	-	-	52
1948	19	31	-	-	2	52
1952	11	42	-	-	-	53
1956	14	36	-	-	3	53
1960	17	38	-	-	-	55
1964	33	25	-	1	-	59
1967	35	24	-	-	-	59
1971	15	45	-	-	-	60
1975	15	39	-	7	-	61
1978	-	44	-	17	-	61
1982	-	8	-	56	-	64
1986	1	25	-	38	-	64
1991	1	55	-	10	-	66
1995	11	42	-	5	-	58
1999	4	29	25	-	-	58
2003	-	30	28	-	-	58

Note:

SASK – Saskatchewan Party – was established in 1997 by a coalition of former Progressive Conservative and Liberal members and supporters who sought to remove the Saskatchewan New Democratic Party from power.

Since 1945 The Liberal Party (Saskatchewan) has 7 years of provincial governing and the Progressive Conservative Party (Saskatchewan) has 9 years.

Table A2-8

Premiers of Manitoba

Term	Premier	Party
1942–1948	Stuart S. Garson	Coalition
1948–1958	Douglas L. Campbell	Conservative
1958–1967	Duff Roblin	Progressive Conservative
1967–1969	Walter Weir	Progressive Conservative
1969–1977	Edward Schreyer	New Democratic
1977–1981	Sterling Lyon	Progressive Conservative
1981–1988	Howard Pawley	New Democratic
1988–1999	Gary Filmon	Progressive Conservative
1999–till now	Gary Doer	New Democratic

Table A2-9

Manitoba: Provincial Election Results

YEAR	LIB	NDP	PC	OTH	TOTAL
1959	-	10	35	12	57
1962	13	7	36	1	57
1966	14	11	31	1	57
1969	4	28	22	3	57
1973	5	31	21	-	57
1977	1	23	33	-	57
1981	-	34	23	-	57
1986	1	30	26	-	57
1988	20	12	25	-	57
1990	7	20	30	-	57
1995	3	23	31	-	57
1999	1	32	24	-	57
2003	2	35	20	-	57

Since 1945 The Liberal Party (Manitoba) has 0 years of provincial governing and the Conservative Party (Manitoba) has 37 years.

Table A2-10

Premiers of Ontario

Term	Premier	Party
1943–1948	George Drew	Progressive Conservative
1948–1949	Thomas L. Kennedy	Progressive Conservative
1949–1961	Leslie M. Frost	Progressive Conservative
1961–1971	John P. Robarts	Progressive Conservative
1971–1985	William G. Davis	Progressive Conservative
1985	Frank Miller	Progressive Conservative
1985–1990	David Peterson	Liberal
1990–1995	Bob Rae	New Democratic
1995–2002	Mike Harris	Progressive Conservative
2002–2003	Ernie Eves	Progressive Conservative
2003	Dalton McGuinty	Liberal

Since 1945 The Liberal Party (Ontario) has 8 years of provincial governing and the Progressive Conservative Party (Ontario) has 48 years.

Table A2-11

Provincial Election Results (Ontario)

YEAR	LIB	NDP ^e	PC	OTH	TOTAL
1945	11	8	66	8	90
1948	13	21	53	3	90
1951	7	2	79	2	90
1955	10	3	83	2	98
1959	22	5	71	-	98
1963	24	7	77	-	108
1967	28	20	69	-	117
1971	20	19	78	-	117
1975	36	38	51	-	125
1977	34	33	58	-	125
1981	34	21	70	-	125
1985	48	25	52	-	125
1987	95	19	16	-	130
1990	36	74	20	-	130
1995	30	17	82	1	130
1999	35	9	59	-	103
2003	72	7	24	-	103

Table A2-12

Premiers of Quebec

Term	Premier	Party
1944–1959	Maurice Duplessis	Union Nationale
1959–1960	Paul Sauvé	Union Nationale
1960	Antonio Barrette	Union Nationale
1960–1966	Jean Lesage	Liberal
1966–1968	Daniel Johnson	Union Nationale
1968–1970	Jean-Jacques Bertrand	Union Nationale
1970–1976	Robert Bourassa	Liberal
1976–1985	René Lévesque	Parti Québécois
1985	Pierre-Marc Johnson	Parti Québécois
1985–1994	Robert Bourassa	Liberal
1994	Daniel Johnson	Liberal
1994–1996	Jacques Parizeau	Parti Québécois
1996–2001	Lucien Bouchard	Parti Québécois
2001–2003	Bernard Landry	Parti Québécois
2003	Jean Charest	Liberal

Since 1945 The Liberal Party (Quebec) has 24 years of provincial governing and the Progressive Conservative Party (Quebec) has 0 years.

Table A2-13

Provincial Election Results (Quebec)

YEAR	ADQ	LIB	PQ*	CS	UN	OTH	TOTAL
1	2	3	4	5	6	7	8
1944	-	37	-	-	37	4	91
1948	-	8	-	-	82	2	92
1952	-	23	-	-	68	1	92
1956	-	20	-	-	72	1	93
1960	-	51	-	-	43	1	95
1962	-	63	-	-	31	1	95
1966	-	50	-	-	56	2	108
1970	-	72	7	12	17	-	108
1973	-	102	6	2	-	-	110
1976	-	26	71	1	11	1	110

1	2	3	4	5	6	7	8
1981	-	42	80	-	-	-	122
1985	-	99	23	-	-	-	122
1989	-	92	29	-	-	4	125
1994	1	47	77	-	-	-	125
1998	1	48	76	-	-	-	125
2003	4	76	45	-	-	-	125

Notes:

* Formed in 1968

ADQ – Action Démocratique du Québec,

LIB – Liberal Party,

PQ – Parti Québécois. The Parti wants Quebec to become a sovereign country,

CS – Crédit Social,

UN – Union Nationale,

OTH – Other.

Table A2-14

Premiers of New Brunswick

Term	Premier	Party
1940–1952	John McNair	Liberal
1952–1960	Hugh J. Flemming	Progressive Conservative
1960–1970	Louis J. Robichaud	Liberal
1970–1987	Richard Hatfield	Progressive Conservative
1987–1997	Frank McKenna	Liberal
1997–1998	Ray Frenette	Liberal
1998–1999	Camille Thériault	Liberal
1999–2006	Bernard Lord	Progressive Conservative
2006	Shawn Graham	Liberal

Since 1945 The Liberal Party (NB) has 29 years of provincial governing and the Progressive Conservative Party (NB) has 32 years.

Table A2-15

Provincial Election Results (New Brunswick)

YEAR	LIB	NDP	PC	COR	OTH	TOTAL
1956	15	-	37	-	-	52
1960	31	-	21	-	-	52
1963	32	-	20	-	-	52
1967	32	-	26	-	-	58
1970	26	-	32	-	-	58
1974	25	-	33	-	-	58
1978	28	-	30	-	-	58
1982	18	1	39	-	-	58
1987	58	-	-	-	-	58
1991	46	1	3	8	-	58
1995	48	1	6	-	-	55
1999	10	1	44	-	-	55
2003	26	1	28	-	-	55
2006	29	-	26	-	-	55

Note: **COR** – Confederation of Regions.

Table A2-16

Premiers of Prince Edward Island

Term	Premier	Party
1943–1953	J. Walter Jones	Liberal
1953–1959	Alexander W. Matheson	Liberal
1959–1966	Walter Shaw	Progressive Conservative
1966–1978	Alexander B. Campbell	Liberal
1978–1979	William Bennett Campbell	Liberal
1979–1981	J. Angus MacLean	Progressive Conservative
1981–1986	James M. Lee	Progressive Conservative
1986–1993	Joesph A. Ghiz	Liberal
1993–1996	Catherine S. Callbeck	Liberal
1996	Keith Milligan	Liberal
1996	Pat Binns	Progressive Conservative

Since 1945 The Liberal Party (PEI) has 37 years of provincial governing and the Progressive Conservative Party (PEI) has 24 years.

Table A2-17

Provincial Election Results (Prince Edward Island)

YEAR	LIB	NDP	PC	OTH	TOTAL
1962	11	-	19	-	30
1966	17	-	15	-	32
1970	27	-	5	-	32
1974	26	-	6	-	32
1978	17	-	15	-	32
1979	11	-	21	-	32
1982	14	-	18	-	32
1985	21	-	11	-	32
1989	30	-	2	-	32
1993	31	-	1	-	32
1996	8	1	18	-	27
2000	1	-	26	-	27
2003	4	-	23	-	27

Table A2-18

Premiers of Newfoundland and Labrador

Term	Premier	Party
1949–1972	Joesph R. Smallwood	Liberal
1972–1979	Frank D. Moores	Conservative
1979–1989	A. Brian Peckford	Conservative
1989	Thomas Rideout	Conservative
1989–1996	Clyde Wells	Liberal
1996–2000	Brian Tobin	Liberal
2000–2001	Beaton Tulk	Liberal
2001–2003	Roger Grimes	Liberal
2003	Danny Williams	Progressive Conservative

Since 1945 The Liberal Party (N&L) has 37 years of provincial governing and the Progressive Conservative Party (N&L) has 20 years.

Table A2-19

Provincial Election Results (Newfoundland and Labrador)

YEAR	LIB	NDP	PC	OTH	TOTAL
1962	34	-	7	1	42
1966	38	-	4	-	42
1971	20	-	21	1	42
1972	9	-	33	-	42
1976	16	-	30	5	51
1979	19	-	33	-	52
1982	8	-	44	-	52
1985	15	1	36	-	52
1989	31	-	21	-	52
1993	35	1	16	-	52
1996	37	1	9	1	48
1999	32	2	14	-	48
2003	12	2	34	-	48

Table A2-20

Premiers of Nova Scotia

Term	Premier	Party
1945–1954	Angus L. Macdonald	Liberal
1954	Harold Connolly	Liberal
1954–1956	Henry D. Hicks	Liberal
1956–1967	Robert L. Stanfield	Progressive Conservative
1967–1970	George Isaac Smith	Progressive Conservative
1970–1978	Gerald A. Regan	Liberal
1978–1990	John M. Buchanan	Progressive Conservative
1990–1991	Roger Bacon	Progressive Conservative
1991–1993	Donald Cameron	Progressive Conservative
1993–1997	John Savage	Liberal
1997–1999	Russell MacLellan	Liberal
1999–2006	Dr. John Hamm	Progressive Conservative
2006	Rodney MacDonald	Progressive Conservative

Since 1945 The Liberal Party (NS) has 25 years of provincial governing and the Progressive Conservative Party (NS) has 36 years.

Table A2-21

Provincial Election Results (Nova Scotia)

YEAR	LIB	NDP	PC	OTH	TOTAL
1945	28	2	-	-	30
1949	28	2	7	-	37
1953	22	2	13	-	37
1956	18	1	24	-	43
1960	15	1	27	-	43
1963	4	-	39	-	43
1967	6	-	40	-	46
1970	23	2	21	-	46
1974	31	3	12	-	46
1978	17	4	31	-	52
1981	13	1	37	1	52
1984	6	3	42	1	52
1988	21	2	28	1	52
1993	40	3	9	-	52
1998	19	19	14	-	52
1999	11	11	30	-	52
2003	12	15	25	-	52
2006	9	20	23	-	52

Table A2-22

Premiers of the Northwest Territories

Term	Premier	Party
1980–1983	George Braden	n/a
1984–1985	Richard Nerysoo	n/a
1985–1987	Nick Sibbeston	n/a
1987–1991	Dennis Patterson	n/a
1991–1995	Nellie Cournoyea	n/a
1995–1998	Don Morin	n/a
1998–2000	Jim Antoine	n/a
2000–2003	Stephen Kakfwi	n/a
2003	Joe Handley	n/a

Prior to 1980, the head of government was not elected but rather an appointed Commissioner of the federal government of Canada.

Table A2-23

Premiers of Nunavut

Term	Premier	Party
1999	Paul Okalik	n/a

Table A2-24

Premiers and Government Leaders of the Yukon Territory

Term	Premier	Party
1978–1985	Chris Pearson	Progressive Conservative
1985	Willard Phelps	Progressive Conservative
1985–1992	Tony Penikett	New Democratic
1992–1996	John Ostashek	Yukon Party
1996–2000	Piers McDonald	New Democratic
2000–2002	Pat Duncan	Liberal
2002	Dennis Fentie	Yukon Party

Note: In 1992 the Progressive Conservative Party changed its name to the Yukon Party.

Since 1945 The Liberal Party (Yukon) has 2 years of provincial governing and the Progressive Conservative Party (Yukon) has 15 years.

Table A2-25

Territorial Election Results

YEAR	LIB	NDP	YKN	PC	OTH	TOTAL
1978	2	1	-	11	2	16
1982	-	6	-	10	-	16
1985	2	8	-	6	-	16
1989	-	9	-	7	-	16
1992	1	6	7	-	3	17
1996	3	11	3	-	-	17
2000	10	6	1	-	-	17
2002	1	5	12	-	-	18

Annex 3

Main outcomes of calculations

«At very 1-st point»: expenses of regional budgets and budget deficit: how the Niskanen model works for Russia's regional level?

Dependent Variable: G_SPENDIN2005_PC

Method: Least Squares

Date: 12/01/06 Time: 11:12

Sample (adjusted): 1 79

Included observations: 78 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10262.96	3048.246	3.366842	0.0012
REG_OFFIC_PER1000B	4.016903	1.962313	2.047024	0.0441

<i>R</i> -squared	0.139456	Mean dependent var	17562.28
Adjusted <i>R</i> -squared	0.128133	S.D. dependent var	9790.185
S.E. of regression	9141.471	Akaike info criterion	21.10434
Sum squared resid	6.35E+09	Schwarz criterion	21.16477
Log likelihood	-821.069	<i>F</i> -statistic	12.3162
Durbin-Watson stat	1.748747	Prob (<i>F</i> -statistic)	0.000758

Dependent Variable: BUDGET_DEFICITE_2004_P

Method: Least Squares

Date: 12/01/06 Time: 11:15

Sample (adjusted): 1 79

Included observations: 78 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.62359	1.31226	-1.99929	0.0492
REG_OFFIC_PER1000B	0.000957	0.000758	1.26333	0.2103
R-squared	0.024446	Mean dependent var		-0.88442
Adjusted R-squared	0.01161	S.D. dependent var		5.571467
S.E. of regression	5.539032	Akaike info criterion		6.286823
Sum squared resid	2331.746	Schwarz criterion		6.347251
Log likelihood	-243.186	F-statistic		1.904432
Durbin-Watson stat	1.873188	Prob (F-statistic)		0.171629

Dependent Variable: FDI2005

Method: Least Squares

Date: 12/01/06 Time: 11:20

Sample (adjusted): 1 79

Included observations: 78 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1705250	1073369	1.588689	0.1163
GEN_GOVOFFICPER1000B	-85.3176	85.49491	-0.99793	0.3215
R-squared	0.012934	Mean dependent var		687833.9
Adjusted R-squared	-5.4E-05	S.D. dependent var		2964532
S.E. of regression	2964612	Akaike info criterion		32.6677
Sum squared resid	6.68E+14	Schwarz criterion		32.72813
Log likelihood	-1272.04	F-statistic		0.995855
Durbin-Watson stat	2.057858	Prob (F-statistic)		0.321482

Dependent Variable: BUDGET_DEFICIT2005_P

Method: Least Squares

Date: 12/01/06 Time: 12:33

Sample (adjusted): 1 79

Included observations: 78 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.757291	1.52858	2.458027	0.0162
GEN_GOVOFFICPER1000B	-0.00039	0.000145	-2.6489	0.0098
<i>R</i> -squared	0.069993	Mean dependent var		-0.83322
Adjusted <i>R</i> -squared	0.057756	S.D. dependent var		5.749856
S.E. of regression	5.581344	Akaike info criterion		6.302043
Sum squared resid	2367.506	Schwarz criterion		6.362471
Log likelihood	-243.78	<i>F</i> -statistic		5.719779
Durbin-Watson stat	1.682933	Prob (<i>F</i> -statistic)		0.019248

Dependent Variable: BUDGET_DEFICIT2005_P

Method: Least Squares

Date: 12/01/06 Time: 12:36

Sample (adjusted): 1 79

Included observations: 78 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.424068	1.49992	1.616131	0.1102
REG_OFFIC_PER1000B	-0.00179	0.000972	-1.8451	0.0689
<i>R</i> -squared	0.08051	Mean dependent var		-0.83322
Adjusted <i>R</i> -squared	0.068412	S.D. dependent var		5.749856
S.E. of regression	5.549693	Akaike info criterion		6.290669
Sum squared resid	2340.731	Schwarz criterion		6.351097
Log likelihood	-243.336	<i>F</i> -statistic		6.654545
Durbin-Watson stat	1.663114	Prob (<i>F</i> -statistic)		0.01182

We found weak and significant dependencies both for 2004 and for 2005 years between the budget deficit and the officials' number per 1000 population. The direction of the influence appeared to be opposite (the sign of the dependence changed on the opposite). So the Niskanen model's existence evidences not found for this data.

«**Second point**»: Dependence of the Investment climate indicators from the Institutes

1. Human Rights Defense activity, Independent (opposition) media and the electoral variables

Dependent Variable: Small_b_empl_dynam2004_2000				
Method: Least Squares				
Date: 12/05/06 Time: 03:05				
Sample (adjusted): 1 78				
Included observations: 75 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SMBEMPL01	-1.03E-06	2.27E-06	-0.45064	0.6538
PO2006	-0.02502	0.130003	-0.19248	0.848
C	1.97596	0.904755	2.183973	0.0327
HROactCourt	0.02872	0.056837	0.505298	0.6151
HROnet2006	0.097232	0.068811	1.413022	0.1626
Opp_media_2006	0.038423	0.045932	0.836515	0.406
SPS+Yabloko2003	-0.01699	0.023905	-0.71069	0.4799
EDRO2003	-0.00638	0.010245	-0.62239	0.5359
CPRF2003	-0.01637	0.015889	-1.03023	0.3068
LDPR2003	-0.01761	0.014631	-1.20343	0.2333
RODINA2003	-0.02732	0.017869	-1.52869	0.1313
AGAINSTALL2003	0.055471	0.062906	0.881813	0.3812
R-squared	0.180477	Mean dependent var		1.15732
Adjusted R-squared	0.037386	S.D. dependent var		0.335927

S.E. of regression	0.329587	Akaike info criterion	0.763696
Sum squared resid	6.84355	Schwarz criterion	1.134494
Log likelihood	-16.6386	F-statistic	1.261271
Durbin-Watson stat	2.242277	Prob (F-statistic)	0.267652

2. Court Statistics and Human Rights Defense activity in the Region

Dependent Variable: Small_b_empl_dynam2004_2000
Method: Least Squares
Date: 12/05/06 Time: 02:21
Sample (adjusted): 1 78
Included observations: 77 after adjustments
White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.137031	0.03568	31.86727	0
HROactCourt	0.077535	0.050854	1.524677	0.1317
RoL_violat04	0.075342	0.053825	1.399759	0.1659
HRO_CLOSED ¹	0.071724	0.067777	1.058239	0.2935
HROnet2006	0.094454	0.066185	1.427115	0.1579

R-squared	0.138651	Mean dependent var	1.158447
Adjusted R-squared	0.090798	S.D. dependent var	0.331834
S.E. of regression	0.316411	Akaike info criterion	0.599179
Sum squared resid	7.208326	Schwarz criterion	0.751374
Log likelihood	-18.0684	F-statistic	2.897456
Durbin-Watson stat	1.961763	Prob (F-statistic)	0.027796

Dependent Variable: Small_b_empl_dynam2004_2000
Method: Least Squares
Date: 12/05/06 Time: 03:23

¹ Cases of closure of human rights organizations by court verdict.

Sample (adjusted): 1 78				
Included observations: 77 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.142912	0.038547	29.6497	0
RoL_violat04	0.087141	0.052581	1.657282	0.1017
HROnet2006	0.133681	0.053142	2.515524	0.0141
R-squared	0.106227	Mean dependent var		1.158447
Adjusted R-squared	0.082071	S.D. dependent var		0.331834
S.E. of regression	0.317925	Akaike info criterion		0.584182
Sum squared resid	7.479668	Schwarz criterion		0.675499
Log likelihood	-19.491	F-statistic		4.397558
Durbin-Watson stat	1.978174	Prob (F-statistic)		0.015682

3. Court Statistics, Independent Media and Human Rights Defense activity in the Region for the Small Business employment in the region explanation

Dependent Variable: SMB2004_per1000				
Method: Least Squares				
Date: 12/05/06 Time: 03:33				
Sample (adjusted): 1 78				
Included observations: 77 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	37.22878	5.047945	7.375037	0
Opp_media_2006	3.267139	3.180325	1.027297	0.308
S144B	-2.47952	3.863694	-0.64175	0.5233
FREPR_VIOL04	5.916083	15.23084	0.388428	0.6989

ROLVIOL00	-0.98129	4.074891	-0.24081	0.8104
HRO_CLOSED	-2.71401	5.798556	-0.46805	0.6413
HROactCourt	-2.2192	3.454428	-0.64242	0.5228
ROLVIOL04	1.264886	4.192754	0.301684	0.7638
HROnet2006	-1.13794	4.924819	-0.23106	0.818
PRIVACYVIOL04	6.771065	2.28585	2.962165	0.0042
ROL04_VIOLAT	0.725167	4.563672	0.1589	0.8742
<hr/>				
<i>R</i> -squared	0.33714	Mean dependent var	43.71038	
Adjusted <i>R</i> -squared	0.236706	S.D. dependent var	26.81674	
S.E. of regression	23.4289	Akaike info criterion	9.277381	
Sum squared resid	36228.27	Schwarz criterion	9.61221	
Log likelihood	-346.179	<i>F</i> -statistic	3.356851	
Durbin-Watson stat	1.645664	Prob (<i>F</i> -statistic)	0.001391	

4.

Dependent Variable: SMB2004_per1000				
Method: Least Squares				
Date: 12/05/06 Time: 20:06				
Sample (adjusted): 1 78				
Included observations: 77 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
<hr/>				
Variable	Coefficient	Std. Error	<i>t</i> -Statistic	Prob.
C	37.51304	2.680638	13.99407	0
PRIVACYVIOL04	7.122314	0.87218	8.166102	0
<hr/>				
<i>R</i> -squared	0.316221	Mean dependent var	43.71038	
Adjusted <i>R</i> -squared	0.307104	S.D. dependent var	26.81674	
S.E. of regression	22.32236	Akaike info criterion	9.074686	
Sum squared resid	37371.59	Schwarz criterion	9.135564	
Log likelihood	-347.375	<i>F</i> -statistic	34.68453	
Durbin-Watson stat	1.636067	Prob (<i>F</i> -statistic)	0	

5. Direct Foreign Investments depends on the same indicator of 2001 and, at the some extent on previous Small Business activity

Dependent Variable: FDI2005				
Method: Least Squares				
Date: 11/27/06 Time: 15:51				
Sample (adjusted): 1 78				
Included observations: 76 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2342353	1460924	-1.60334	0.1132
SMBEMPL01	79.81522	46.48557	1.716989	0.0902
FOR_DIRINV	2324.444	1145.813	2.02864	0.0461
<i>R</i> -squared	0.519276	Mean dependent var	705705.6	
Adjusted <i>R</i> -squared	0.506105	S.D. dependent var	3001697	
S.E. of regression	2109522	Akaike info criterion	32.00049	
Sum squared resid	3.25E+14	Schwarz criterion	32.0925	
Log likelihood	-1213.02	<i>F</i> -statistic	39.42713	
Durbin-Watson stat	2.563724	Prob (<i>F</i> -statistic)	0	

6. We couldn't find dependence between the Small business employment and the variable "Big Business under Attack" (possible, the 1-year lag after 2003 appeared to be not enough)

Dependent Variable: SMALL_B_EMPL_DYNAM2004_2				
Method: Least Squares				
Date: 11/30/06 Time: 03:32				
Sample (adjusted): 1 79				
Included observations: 79 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	1.145480	0.043947	26.06502	0.0000
BUSINESS_UNDER-ATTACK	0.032264	0.083632	0.385791	0.7007
<i>R</i> -squared	0.001820	Mean dependent var		1.153648
Adjusted <i>R</i> -squared	-0.011143	S.D. dependent var		0.330932
S.E. of regression	0.332771	Akaike info criterion		0.662266
Sum squared resid	8.526713	Schwarz criterion		0.722252
Log likelihood	-24.15951	<i>F</i> -statistic		0.140415
Durbin-Watson stat	2.004845	Prob (<i>F</i> -statistic)		0.708899

7–8. Both attacks and political instability influences the foreign direct investments

Dependent Variable: FDI2005

Method: Least Squares

Date: 11/30/06 Time: 03:45

Sample (adjusted): 1 78

Included observations: 72 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	<i>t</i> -Statistic	Prob.
C	-342805.8	772617.3	-0.443694	0.6588
BUDGET_DEFICIT2005_P	58076.45	31394.34	1.849902	0.0691
LDPR2003	-247926.0	121915.2	-2.033594	0.0463
AGAINSTALL2003	359239.4	229108.0	1.567991	0.1220
SMBEMPL01	71.76145	40.10851	1.789183	0.0785
FOR_DIRINV	2621.280	859.7118	3.049022	0.0034
CONFLICTS_REG	-143723.5	381420.7	-0.376811	0.7076

GOVER-NOR_CHANGED	-844693.5	514997.6	-1.640189	0.1060
MASS_UNREST_PRO TEST	-190188.4	476564.2	-0.399082	0.6912
BUSINESS_UNDER-ATTACK	373606.0	506696.3	0.737337	0.4637
<i>R</i> -squared	0.604661	Mean dependent var	744244.8	
Adjusted <i>R</i> -squared	0.547273	S.D. dependent var	3080451.	
S.E. of regression	2072680.	Akaike info criterion	32.05483	
Sum squared resid	2.66E+14	Schwarz criterion	32.37103	
Log likelihood	-1143.974	<i>F</i> -statistic	10.53639	
Durbin-Watson stat	2.562902	Prob (<i>F</i> -statistic)	0.000000	

pendent Variable: FDI2005

Method: Least Squares

Date: 11/30/06 Time: 03:48

Sample (adjusted): 1 78

Included observations: 76 after adjustments

White Heteroskedasticity-Consistent Standard Errors & Covariance

Variable	Coefficient	Std. Error	<i>t</i> -Statistic	Prob.
C	-29413.50	713606.1	-0.041218	0.9672
LDPR2003	-167452.4	84910.83	-1.972097	0.0525
SMBEMPL01	78.97714	42.63529	1.852389	0.0681
FOR_DIRINV	2753.556	1071.236	2.570447	0.0123
GOVER-NOR_CHANGED	-929730.9	550431.0	-1.689096	0.0956

<i>R</i> -squared	0.576138	Mean dependent var	705705.6
Adjusted <i>R</i> -squared	0.552258	S.D. dependent var	3001697.
S.E. of regression	2008541.	Akaike info criterion	31.92724
Sum squared resid	2.86E+14	Schwarz criterion	32.08058
Log likelihood	-1208.235	<i>F</i> -statistic	24.12680
Durbin-Watson stat	2.570197	Prob (<i>F</i> -statistic)	0.000000

Change of governer influence (on the 10% level) – the only detected dependence of this data.

«3-rd point»:

The cars number per 1000 population explained by geography mainly, not by investment climate

1.

Dependent Variable: CARSPER1000				
Method: Least Squares				
Date: 11/27/06 Time: 16:39				
Sample (adjusted): 1 78				
Included observations: 76 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	<i>t</i> -Statistic	Prob.
C	109.8354	10.86215	10.11176	0
SMB_ALL_2004_P	0.35744	0.259811	1.375767	0.1734
FDI2005	-2.40E-06	1.40E-06	-1.72069	0.0899
G_SPENDIN2005_PC	0.000306	0.000579	0.528649	0.5988
FOR_DIRINV2001	0.023755	0.006982	3.402218	0.0011
DUMMY_RENT_NAT	3.817141	14.63247	0.260868	0.795
DUMMY_RENT_GEO	37.55506	9.700616	3.87141	0.0002
SMBEMPL01	0.000287	0.000386	0.745047	0.4588
<i>R</i> -squared	0.451062	Mean dependent var	147.0197	
Adjusted <i>R</i> -squared	0.394553	S.D. dependent var	36.12531	

S.E. of regression	28.10926	Akaike info criterion	9.609376
Sum squared resid	53728.89	Schwarz criterion	9.854716
Log likelihood	-357.156	F-statistic	7.982216
Durbin-Watson stat	1.964452	Prob (F-statistic)	0

2. New building – weak positive dependence on the foreign investment

Dependent Variable: DWELL_NEWPER1000				
Method: Least Squares				
Date: 11/27/06 Time: 16:38				
Sample (adjusted): 1 78				
Included observations: 75 after adjustments				
White Heteroskedasticity-Consistent Standard Errors & Covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	220.7591	40.57329	5.440996	0
SMB_ALL_2004_P	0.591867	0.460436	1.28545	0.2031
FDI2005	1.07E-05	5.75E-06	1.870822	0.0657
G_SPENDIN2005_PC	-0.00284	0.001791	-1.58635	0.1174
DUMMY_RENT_NAT	101.2776	59.94647	1.689467	0.0958
DUMMY_RENT_GEO	140.6615	121.9376	1.153553	0.2528
SMBEMPL01	-5.93E-07	0.001482	-0.0004	0.9997
R-squared	0.207729	Mean dependent var	223.7067	
Adjusted R-squared	0.124954	S.D. dependent var	134.6504	
S.E. of regression	125.9572	Akaike info criterion	12.6103	
Sum squared resid	1062969	Schwarz criterion	12.8575	
Log likelihood	-464.886	F-statistic	2.509572	
Durbin-Watson stat	2.139606	Prob (F-statistic)	0.023646	

Annex 4

Regional conflicts

Conflicts and political stability in Russia's regions during 2004–2006

This overview represents a summary of information relating to the years 2004–2006, which in many ways is different from the available information concerning the late 1990s and early 2000s that has been made use of within the framework of some of the previously implemented CEPRA projects. In the present paper, we discuss conflicts associated with the activities of regional authorities or the instances of a confrontation existing between regional and federal authorities.

From the situation being considered here, Chechnya – as a territory where any legal order is practically nonexistent – has been excluded. Besides, we are not discussing the cities of Moscow and St. Petersburg, because we have failed to find there any conflicts resulting from direct actions of regional authorities, while it has been very difficult to single out, among all the others, those conflicts that are quite separate from any activities of federal-level structures or from purely local events. The well-known conflicts of 2003–2006 in the oil and gas sector (“the Yukos affair”, “Sahkalin-2”, “Nortgaz”, etc.), that took place at the regional level (in Sakhalin Oblast, Tomsk Oblast and Samara Oblast, and in Khanty-Mansi and Yamal-Nenets Okrugs), while having been obviously initiated by Russia's top authorities, have not been taken into account here, either, because they have no bearing to the political and economic strategies being pursued by regional authorities, or to the ways these strategies are being perceived by economic agents.

Certain disputable cases (a vacancy resulting from a governor's “promotion”, or death of a previous governor with a subsequent appointment of one of his closest allies) are not understood here as instances of a governor's rotation.

It should also be well understood that, under the specific Russian conditions of an authoritarian state and the subordination of the judicial system to the executive authority, the prosecution of some or other officials mentioned in this overview reflects the complex struggles going on on the administrative market, and by no means are the consequence of

the execution of true justice or struggle against corruption. The structure of the administrative market for the power structures is rather complex in itself. There exists a judicial vertical (through the system of qualification panels consisting of three judges from a superior court, at their highest level subordinate to the Supreme Court appointed by the RF President). The regional agencies of the public prosecutor's office, the Ministry of Internal Affairs (MIA) and the Federal Security Service report to the corresponding departments in Moscow, while at the same time each of them may pursue its own interests and have no opportunities for making their parallel subdivisions or the judicial system collaborate with them (this is, in effect, the origin of some of the acquittals or of the lack of any possibilities for punishing an official). Besides, the directors of regional agencies of the power structures are dependent, in the commercial sphere, on governors – since those times (prior to 2002) when the coordination procedure was, in terms of the law, dependent on the latter, with whom the former are still maintaining some sort of relationship – good or bad. Therefore we perceive any prosecution of a top-level regional official as a consequence of political instability and struggle at the regional level.

This overview addresses both the election and the appointment of governors. The reason is that, beginning from January 2005, governors are appointed by V. Putin, while previously they were elected by universal vote.

The party of power, “United Russia”, is understood as the organization that has under its control more than 2/3 of the federal parliament elected in 2003. Sometimes a governor at the regional level may not be a member of that party, and then the control over its regional organization represents a resource which is comparable to the control over one of a region's key power structures.

The Republic of Adygeya

The Republic has been shaken by several conflicts at once. In 2005, Kh. Sovmen, head of the Republic, attempted to dissolve the oppositional regional parliament (which had failed to execute the resolution of the Constitutional Court of Adygeya, issued in 2002, concerning the recognition of some articles in the budget law as being contrary to federal and republican legislation), but the interference of the plenipotent-

ary representative of the RF President in the Southern Federal District (SFD), D. Kozak, protected parliament from dissolution.

On the other hand, the head of the Republic accused D. Kozak of working toward the Republic's merger with Krasnodar Krai. The conflict ended in 2006, when D. Kozak did not submit the candidacy of the Republic's head for the approval by the RF President in accordance with new legislation.

The Republic of Altay

In 2004–2005, parliament put itself in opposition to the head of the Republic, M. Lapshin, and did not give its approval to various proposals concerning cadres or the budget.

The Republic's Office of Public Prosecutor also launched several attacks against M. Lapshin's ministers – criminal proceedings were initiated against A. Afanasiev, Minister for Emergency Situations, for his misuse of official powers when distributing housing certificates, against former Minister of Industry, Construction and Housing-and-Utilities N. Moskalev, and against the former head of the Capital Construction Agency for the Issues of Liquidating the Consequences of the Earthquake (UKS – 2), S. Borzikhin (for abuses during the construction of objects for the victims of the earthquake). The former head of the Republic's Committee for the Policy in the Sphere of Information, Kubashev, was found guilty of "obstructing the lawful professional activity of journalists". In 2005, Deputy Prosecutor General of in the Southern Federal Okrug Valentin Simuchenkov announced that the Office of Prosecutor General would aim at removing Michael Lapshin from office.

In 2006, the republic was the scene of mass protests against its merger with Altai Krai. Up to five thousand persons, or ten percent of the residents of Gorno-Altaiisk, repeatedly demonstrated in the streets of that city.

The Republic of Bashkortostan

In late 2003 – early 2004, the RF Central Electoral Commission repeatedly restored the electoral rights of candidates from the opposition. Thus, it restored the unregistered S. Veremeenko's candidacy for the post of President of Bashkiria, and a number of candidacies for Par-

liament, while the Office of Public Prosecutor of Bashkiria repeatedly attacked the regional authorities both during the electoral process (for example, it discovered that “The World of Press” printing-house, in order to serve the needs of the Baskirian President’s Administration, had printed an issue of false electoral bulletins, and initiated criminal proceedings after charging with this misdeed Radii Khabirov, President of the Republic). Besides, the Office of Public Prosecutor initiated many criminal proceedings concerning the illegal acquisition, by the republican leadership, of the state-owned block of shares in “Bashneftezhim”, withdrawn from state ownership and since then having been owned by a sequence of various open-end joint-stock companies.

In 2004–06, the republic was the scene of regular (every few months) actions, in which thousands participated, demanding the retirement of Bashkortostan’s President M. Rakhimov, and also protesting against the growth of housing-and-utilities tariffs and demanding that R. Divaev and A. Smirnov, CEOs of the Ministry of Internal Affairs, be brought to criminal responsibility for numerous instances of cruel punishment of citizens.

The Republic of Buryatia

None were noted.

The Republic of Dagestan

In 2004, a conflict was developing between the Administration of Khasaviurt and the Republic’s State Council. The Avar opposition was led by Mayor of Khasaviurt Saigidpasha Umakhanov, Champion of the 2000 Olympic Games in Sydney Saigid Murtazaliev, and Deputy of the State Duma G. Makhachev (later joined by the heads of other raions, e.g., head of Kizliar raion V. Burov). The accusation of regional authorities of corruption was largely supported by D. Kozak, the RF President’s plenipotentiary representative in the Southern Federal District, and as a result, in 2005, M. Magomedov, Head of the State Council, was forced to resign.

Numerous rallies took place, which were aimed against the policies pursued by the republican and raion authorities (thus, for example, in 2004 in Khasaviurt, Head of the Republic M. Magomedov was accused of having organized politically motivated murders). Many public rallies

and conflicts with the militia (police) were noted in Dokuzparinskii and Kumgorkalinskii raions, etc., where the core issue was the distribution of raion lands.

An active redistribution of property is going on in the region. The most notorious incident was the situation around the plant for the production of mineral waters “Ruchal-su”, which was transferred by I. Yaraliev, Dagestan’s former public prosecutor, into the management of his own relatives, the former later making an attempt, through initiating criminal cases and arrests, to take it back from them.

Ingush Republic

The year 2004 saw a confrontation between the leadership of the regional agency of the RF FSS (S. Koriakov) and the Republic’s public prosecutor’s office, with the latter suspecting the former of having created squadrons of death. The confrontation ended by S. Koriakov being recalled from the Republic.

In 2004–2006, the confrontation continued with the authorities of North Osetia and with the plenipotentiary representative of the RF President in the SFD, who supported them, in respect to the issue of returning the Ingush refugees to the Prigorodnyi raion located near the border. Many mass rallies took place in this connection.

In 2004, local citizens took over the building of the City Administration in Karabulak, turning out the mayor. A representative of the Republic’s leadership arrived and, instead of arguing with the population, simply dismissed the mayor, I. Arsamakov, from his post (the main accusation being the unjust distribution of lands).

The Republic of Kabardino-Balkaria

In October 2005, the already habitual sporadic public rallies matured into an armed uprising and fighting in Nalchik (with several hundred persons being killed as a result), which were of a mixed character – somewhere between the manifestation of Islamic extremism and armed protests against the unrestricted criminal activities of the republican militia, headed by Minister of Internal Affairs Kh. Shogenov. By repressive methods, the authorities curbed the activity of the ethnic opposition, who had been demanding from the authorities in Nalchik that they should implement a well-balanced ethnic policy aimed at maintaining

the integrity of territories where ethnic minorities lived as compact entities, while at the same time taking into consideration the interests of different ethnic groups when resolving the personnel issues. This opposition had repeatedly asked the authorities to pay attention to the unjust distribution of resources among the Republic's raions and towns. As a result, the new Head of the Republic succeeded in engineering Kh. Shogenov's resignation and then considerably softened the policy.

The Republic of Kalmykia

In 2003–2004, numerous mass protests took place. In September 2004, the adversaries of K. Ilumzhinov, President of Kalmykia, when rallying in Elista, broke through police cordons and directly approached the building of the Republic's Government. Several hundreds of protesters participated in the fights with the special police units, some were killed, and more than 200 persons were arrested. The organizers of the peaceful act of protest are still being subjected to judicial prosecution.

The Republic of Karachaiyevo-Cherkessia

In 2004, the Republic was in the state of unrest, arising from the redistribution of property. There was a conflict over the cement plant, owned by the Kaitov family. The junior member of this dynasty, A. Kaitov (who was also a son-in-law to the Republic's President), killed, during negotiations, a group of his contractors, among whom there was R. Bogatyrev, a member of the Republic's State Assembly.

Then, the relatives of those who were killed at the President's son-in-law's country house, with the support of other people who were also dissatisfied, twice took over the building of the Government of Karachaiyevo-Cherkessia. As for President Batdyev, he disappeared for more than 24 hours and appeared before the public only under the protection of D. Kozak, plenipotentiary representative of the RF President in the SFD. As a result, the murderer was handed over to the judiciary and later prosecuted.

However, conflicts in the commercial sphere still continued – the MIA, loyal to the President, organized checks of the outlets owned by the AZS "Rosneft" and located in the territory of Karachaiyevo-Cherkessia, whose top manager was I. Tekeev, the uncle of the murdered Deputy R. Bogatyrev.

Besides, in 2006 a coup-d'etat took place in Cherkessk, during which the elected mayor M. Yakush was dismissed, and the Cherkessk City Duma elected a new mayor from among its members and made the decision that a five-year contract should be concluded with P. Korotchenko, who is now an acting mayor, for his appointment to the post of the head of city administration. (The Republic's leadership was against this decision, but the local courts of justice sided with the usurpers).

The Republic of Karelia

In the summer of 2006, "United Russia" and the Head of Karelia were trying to push through the Petrozavodsk City Council (Petrosovet) the new Charter of the City, whereby the mayor was to be appointed. When it became too late, "United Russia" changed its tactics – its fraction began to disrupt the sessions on budget issues, attempting to discredit both Petrosovet and Mayor V. Masliakov. In the autumn of 2006, Head of Karelia S. Katanandov, who had been for a long time conflicting with Karelia's municipality, submitted to the newly elected Legislative Assembly the decision concerning the dissolution of the current Petrozavodsk City Council because of its failure to comply with two court decisions. Judicial proceedings concerning the issue of lawfulness of such a decision are now going on.

In August-September 2006, the Republic witnessed a wave of mass-scale unrest associated with nationalistic feelings, caused by several murders in the town of Kondopog committed by migrant Chechens. The majority among the population began to share the view that the reason for the incidents was solely the murderer's ethnic origins. Some shops owned by Chechens were arsoned. As a result, the murderers gave themselves up to the authorities, and the leadership of the Republic's law enforcement agencies was dismissed by V. Putin.

The Republic of Komi

In this RF subject, head of the self-government of the city of Syktyvkar (the Republic's capital), S. Katunin, supported by A. Karakchiev, leader of the regional office of "United Russia", in 2004–2005 was in a state of permanent conflict with Head of the Republic of Komi V. Torlopov.

In 2005, Torlopov succeeded in making the deputies of the city council adopt the decision that City Mayor Katunin should be dismissed from his post. In 2006, A. Karakchiev was replaced, too – by M. Istikhovskaya, the loyal speaker of Komi's parliament.

In 2005, the city court dismissed from his post the head of city okrug "Inta" – head of city administration V. Shakhtin, who was in opposition to the head of the Republic. The acting mayor was appointed mayor until the beginning of his sick leave, that is, his dismissal. He did not undergo the procedure of reappointment, and therefore was not a legitimate acting mayor, from the point of view of law. There also had existed a city council, which last week was dissolved by a court decision.

In 2004–2005, Syktyvkar saw mass protests against the reforming of the housing and utilities sector, but the hugst rallies, numbering more than 5,000 participants, took place in 2006 against the subordination of Ezhvinsky municipality to the city of Syktyvkar.

The Republic of Mariy El

In 2003–2004, Mayor of the city of Volzhsk and deputy of the State Assembly of the Republic of Mariy El N. Svistunov, who had declared his intention to compete during the presidential election with President L. Markelov, was first taken into custody and then prosecuted. "Purges" of the staff of all the city structures were then conducted in Volzhsk.

In 2005, Mayor of Yoshkar-Ola V. Tarkov, who was formally loyal, but probably presented inconveniences in terms of economics, was successfully dismissed from his post.

The Republic of Mordovia

None were noted.

The Republic of Sakha (Yakutia)

Head of the Republic V. Styrov and Head of the Government of Yakutia Ye. Borisov voiced a public accusation of the management of ALROSA company, headed by A. Nicheporuk, of having acquired a diamond deposit in Angola instead of investing in the prospective development of the Republic of Sakha. (Nicheporuk is the protege of the Federal Government, who, nevertheless, still does not possess the controlling block of shares in ALROSA). The republic's authorities also ac-

cuse Mayor of Yakutsk I. Mikhalchuk of being sympathetic toward the federal center, and are trying to engineer his retirement.

In 2005–2006, the region saw repeated rallies against the federal center’s policy (with slogans like “Fradkov, hands off ALROSA !”, and so on), aimed at the “federalization” of that company’s controlling block of shares.

The Republic of North Osetia – Alania

In 2005, the leadership of the RF State Prosecutor’s Office began its attack on the Republic’s government – Minister of Finance of North Osetia, K. Urtaev, and its former Prime Minister M. Shatalov were arrested; accusations were filed against Director of the Republic’s tax agency Ch. Zangiev. Observers have explained it by the struggle for power during the formation of the new Cabinet of Ministers under T. Mamsurov.

In 2004 – early 2005, the Republic was being shaken by mass rallies, demanding the retirement of President A. Dzasokhov, who was accused of a criminal failure to act during the events in Beslan. The rallies led to Dzasokhov’s early retirement.

The Republic of Tatarstan (or Tatarstan)

None were noted.

The Republic of Tyva

In 2006, the confrontation between the legislature and the Republic’s President reached its peak. The deputies of the Legislative Assembly of Republic of Tyva adopted an appeal to V. Putin concerning the possibility of an early dismissal of Head of the Republic Sherig-ool Oorzhak. Resulting from this situation was a real political crisis, when parliament’s leadership left the party of power – “United Russia” – and joined “Just Russia”. According to preliminary data, during the autumn elections of 2006, the opposition won a majority of votes in parliament. Parliament, however, has not begun to work, and judicial proceedings are still going on in several majority districts.

The Republic of Udmurtia

Although now, in contrast to the situation characteristic of the previous period, the Republic is not being shaken by public conflicts, in the

non-public sphere conflicts still persist. Thus, the law enforcement agencies, in conjunction with the Republic's leadership, have initiated a criminal case against Administrative Affairs Officer of the Administration of Izhevsk A. Beltsev.

In 2004–2006, non-parliamentary opposition was very active in the Republic. Mass rallies and blockages of street traffic have become a matter of ordinary practice, and once an attack aimed at taking over the building of the Republic's government was attempted. The rallies voice both socially-oriented demands and the demands that the Republic's Head and the Government should be dismissed.

The Republic of Khakassia

None were noted.

The Republic of Chuvashia

Despite the consolidation of power in the Republic, the parliamentary opposition, led by the communists, is also very active. The main slogans at the regularly organized rallies are the demands that a referendum concerning the confidence in President Fedorov should be held, that the monetization of privileges should be abolished, that the problems faced by the housing and utilities sector should be solved, and that people should not be evicted from their apartments in accordance with the norms stipulated in the new Housing Code.

Altay Krai

In 2004–2005, the deputies of the local legislative assembly twice appealed to President of Russia V. Putin with the demand that Governor Evdokimov should retire from his post. The governor, in response to this demand, promised that a total check of the implementation of the current laws would be organized in the krai, by that same President's Administration and the Clearing House. The acute conflict was interrupted by the governor's sudden death in a road accident (his car having exceeded the speed limit), which, by the irony of fate, gave rise to still further public indignation.

The mass rallies, which were staged in a region with a long-standing tradition of protest, firstly, addressed social issues, voicing the following demands: that the implementation of the monetization laws should

be put an end to; that the free use of public transport by pensioners should be reestablished; and that the unjustly raised tariffs on the housing and utilities services should be abolished. At the same time, quite unexpectedly, there were also mass - scale rallies in support of the driver of the car that had collided with the governor's cortege, against whom an attempt had been made to accuse him of having violated the traffic regulations. As a result, he was acquitted by a court of justice.

Krasnodar Krai

The main form of internal confrontation here was the policy pursued by the governor and aimed at the subordination of the municipal authorities to him. During the governor's term of office, the heads of more than a half of the krai's municipal formations were replaced. Thus, in 2005, Mayor of the City of Krasnodar N. Priz was accused of inappropriate spending of budget funds and dismissed from his post; later on, the same fate befell several deputies of the City Duma, including its chairman V. Kiriushin, against whom the ludicrous charges were filed that the representative body had passed a number of corrupt decisions. There were some cases of peaceful settlement of conflicts – thus, Mayor of Sochi L. Mostovoi agreed to retire voluntarily, after which he, for a certain period of time, was the region's representative at the Council of the Federation.

Business is being actively repressed in the region. Thus, director of the Krasnodar Krai Agency of the Trade Union of Entrepreneurs "Stronghold of Russia", Ye. Zhukov, was arrested, as well as former deputy public prosecutor of Krasnodar Krai A. Yesayan, who became a businessman after having quarreled with the former RF General Public Prosecutor V. Ustinov (after the latter's retirement, Yesayan's punishment was alleviated). *Krasnoyarsk Krai*

None were noted.

Perm Krai

In 2005, as a result of an attack engineered by the law enforcement agencies, Mayor of Perm A. Kamenev received a conditional sentence of three years and was dismissed from his post, and in 2006, Mayor of Solikamsk M. Bogdanov became the object of a similar attack. Interestingly, these attacks were staged not on behalf of the governor, but

against his intentions, and were the result, most probably, of the internal logic of redistribution inside the municipalities.

In 2004–2006, the krai, quite unexpectedly, became one of the foci of protest and strike movement; mass rallies and stoppages of road traffic were then staged.

Primorskii Krai

The main line of confrontation was the struggle for control over property of the city of Vladivostok and control over the regional organization of “United Russia” between Governor S. Darkin and Mayor of Vladivostok V. Nikolaev. As a result, the governor passed through the legislature a decision authorizing the transfer of the powers for regulating the city’s lands to the krai administration. The Mayor was also being “brought to reason” by means of initiating a criminal case against Vice-Mayor of Vladivostok A. Budaev.

The main form of protest activity in 2005–2006 became the mass rallies of motorcar drivers, aimed against the possible ban, to be introduced in Russia, on the use of cars with right-side steering wheel, where sometimes as many as a thousand vehicles were gathered. As a result, the RF Government abolished such plans. Vladivostok also saw repeated rallies (numbering up to 5,000 persons) in protest against the dramatic increase of the housing and utilities tariffs.

Stavropol Krai

In 2004–2005, the krai was being shaken by the struggle going on between the regional branch of “United Russia”, the party of power, and the Communist Governor A. Chernogorov. In this struggle, the governor won, first having found appropriate arguments in favor of his own reappointment to his post by V. Putin, and then becoming the leader of “United Russia” after having banished his opponents.

Less successful was his struggle against the heads of the largest municipalities – the cities of Stavropol and Piatigorsk. Mayor of Stavropol, Kuzmin, is still, as before, one the most influential persons in the krai, while in Piatigorsk the election of a new loyal mayor was not ensured, despite the dismissal, with the help of the power structures, of Mayor V. Shestopalov.

An active process of property redistribution, with the involvement of the power structures, is going on in the region. Thus, for example, Director of the Mineralnye Vody Gelatin Plant V. Kuzmenko accused Deputy Director of the FSB A. Edelev of engineering a criminal case against him and taking over his business. Indeed, after Kuzmenko had been prosecuted, the plant was transferred into the possession of Edelev's wife Olga. In Stavropol Krai, as a result of mass protests and road traffic blockages in 2004, all the then existing social privileges were preserved in full.

Khabarovsk Krai

None were noted.

Amur Oblast

The principal conflict here is taking place between Governor L. Korotkov and the Russian Joint-Stock Company "UES of Russia" (the governor does not want to lose his block of shares in the Bureiskaia hydro-electric power station, but at the same time he is not prepared to make any investments in it), as well as around the issue of tariff-setting for the oblast's main enterprises.

In this traditionally poor region, massive campaigning is under way against reform in the housing and utilities sector.

Archangelsk Oblast

After the election of Governor of Archangelsk Oblast, N. Kiselev, in 2004, who had been relying on external support and was alien to the oblast's elite, a conflict developed and still persists between the governor and the legislature's majority and Mayor of Arkhangelsk A. Donskoy. Against the latter, a criminal case has been initiated by the oblast public prosecutor's office, which is now in the phase of investigation.

Astrakhan Oblast

The relatively quiet socio-political situation in the region was aggravated in 2005–2006 by large-scale ethnic clashes, mostly with the Chechen minority (the villages of Yandyki, Pody, etc.).

Belgorod Oblast

An open confrontation between Governor Savchenko and the company “Inteko” has existed since the spring of 2005, when the company owned by the wife of the mayor of Moscow, Ye. Baturina, refused to transfer land to the oblast authorities for the construction of a railway line to the Yakovlevskii mine (which is now being constructed), owned by the company “Metall-group” (its owners are believed to be the former RF Prime Minister, V. Chernomyrdin, and his son Vitalii). As a result, the company was subjected to terror – in Belgorod, A. Annenkov, executive director of the Open-end Joint-Stock Company “Inteko- Agro”, was assaulted, while in Moscow “Inteko”’s lawyer, D. Shteinberg, was killed). “Inteko” made an attempt to join the electoral list of the Liberal-Democratic Party of Russia, which is in opposition to the governor, and bought out the publishing rights to the newspaper “MK v Belgorode”, also oppositional to the governor, but managed to gain only a few seats in the local legislature, and then was forced to withdraw its business from the oblast.

Briansk Oblast

None were noted.

Vladimir Oblast

None were noted.

Volgograd Oblast

In 2006, the long-existing conflict between Governor N. Maksiuta and Mayor of Volgograd, Ye. Ishchenko, exacerbated and approached its climax. The regional organization of “United Russia” declared that it was going into opposition to the mayor, and then expelled him from its ranks. After this, the mayor was arrested on the accusation that he had been paying additional monthly bonuses to his officials, and also had been illegally participating in business activities, for which, however, no evidence was presented. This “pogrom” spread onto the City Duma – the former speaker of the Volgograd City Duma, P. Karev, who was loyal to Ishchenko, was prosecuted for lobbyism.

Vologda Oblast

None were noted.

Voronezh Oblast

The main confrontation here is between the dissident Mayor of Voronezh, B. Skrynnikov, who was elected in 2004, Governor V. Kulakov, and “United Russia”.

Beside being unwilling to subordinate to the governor, the mayor is working against assigning plots of land for the construction of objects being lobbied by the governor’s group (for example, the electro-metallurgic mini-plant, which the holding “Maksi-Grupp” wants to construct).

Since 2004, the region has been shaken, every few months, by mass-scale rallies directed against the governor’s and “United Russia”’s policy.

Ivanovo Oblast

In 2004–2005, the law enforcement agencies here launched an energetic attack at V. Tikhonov, who was then the oblast’s governor. A criminal case was initiated against him (associated with “Ivavtodor”). This was largely a reflection of the confrontation that emerged in expectation of the expiry of the term of office of the standing governor and the appointment of a new one.

Irkutsk Oblast

In 2004–2005, an active struggle aimed at winning a majority in the Legislative Assembly was going on, which resulted in the opposition - leaning speaker, S. Shishkin, being replaced by V. Kruglov, who was loyal to Governor Govorin. After A. Tishanin was appointed governor in 2005, the legislature repeatedly refused to support the various initiatives put forth by him – both in the sphere of legislation (aimed against the presence of TNK-VR) and in respect to the cadres (e.g., the appointment of Yu. Paranichev to be the post of vice governor).

In 2006, the region was shaken by mass rallies in protest against the plans of “Transneft” to construct an oil pipeline along Lake Baikal’s shore. As a result, V. Putin had to make certain changes to this plan.

Kaliningrad Oblast

In 2005–2006, on the eve of the expiry of the term of office of Governor V. Yegorov, the struggle against his reappointment began. Within its framework, Deputy Governor S. Leonov was arrested (on the accusation of having participated in corruption deals). Yegorov's administration, together with the owners of the automobile - assembly holding "Avtodor", was struggling against the abolition, by the federal government, of the privileges then enjoyed by the holding.

After G. Boos was appointed governor, a conflict arose between him and the majority in the legislature.

Kaluga Oblast

None were noted.

Kamchatka Oblast

In 2005–2006, the public prosecutor's office of Kamchatka Oblast was conducting a criminal case against Governor M. Mashkovtsev, who was accused of a wrong distribution of the fishing quotas. Mayor of Petropavlovsk – Kasmchatskiy Yu. Golenishchev was dismissed from his post after having been accused of a failure to adequately prepare for the heating season in the oblast, as well as of neglect and abuse of official powers. The large-scale "purge" carried out under the guidance of public prosecutor Yu. Voitovich is believed to be aimed at preventing the oblast elite from obtaining the senior executive posts in the newly created Kamchatka Krai.

Kemerovo Oblast

A conflict situation is regularly emerging between the oblast authorities and the management of the power engineering sector, the latter refusing to grant to the former the various privileges for both the population and the enterprises under the governor's patronage.

The regular surges of unrest and "warning" strikes of miners, who act in conjunction with the oblast administration, are also being made use of as a means of exerting pressure – both on the companies' owners and on the federal authorities.

Kirov Oblast

The year 2006 finally saw the anticlimax of the conflict between Governor N. Shaklein and Mayor of Kirov V. Kiselev, that had been going on for many years. Shaklein managed to draw to his side the public prosecutor's office, and the former city mayor was accused of having exceeded his official powers and dismissed from his post. Also, a criminal case was initiated against V. Torsunov, Deputy Director of the Open-end Joint-Stock Company TGK – 5, who was standing as a candidate for the membership in the legislative body. Prosecution was also initiated with regard to the business activity of O. Valenchuk, owner of the holding "Sputni", who was sponsoring the regional opposition.

The governor and his team also took an active part in the conflict over the Kirovo – Chepetskiy Chemical Combine, by merging their joint-stock capital with the other majority holders against "Gazprom".

During 2004–2006, the region was the arena of mass rallies, mainly voicing social demands, and also directed against the former mayor of Kirov V. Kiselev.

Kostroma Oblast

The most important conflict here is between Governor V. Shershunov, who does not belong to any party, and the federal party of power – "United Russia", led by the member of the State Duma A. Trepov. As a result of the efforts of the opposition represented by a coalition of parties in opposition (under the patronage of the governor) and the majority candidates, in 2005 "United Russia" lost its control over the oblast's legislature.

Kurgan Oblast

None were noted.

Kursk Oblast

The principal conflict here took place between Governor A. Mikhailov and Mayor of Kursk S. Maltsev. However, even after the latter's defeat at the election, the new mayor – V. Surzhikov – has been pursuing the conflict-mongering strategy that was characteristic of his predecessor, although on a less public scale.

Leningrad Oblast

None were noted.

Lipetsk Oblast

None were noted.

Magadan Oblast

After the governor election of 2003, where Vice Governor V. Dudov had won, he spent the next one and a half year in gradually ousting his main rival – Mayor of Magadan N. Karpenko – from his post. The death of the former governor V. Tsvetkov was followed by a “purge” of the business of which he had been the patron (in particular, Tsvetkov’s adviser, V. Tikhacheva, was imprisoned after having been accused of an illegal acquisition of fishing quotas).

Moscow Oblast

The main source of controversy in this region were the attempts made by Governor Gromov to subordinate to himself all the oblast’s municipal formations. In 2004–2006, by a court decision, the results of the election of the head of Sergiev-Posadskii raion were declared to be null and void, which meant the dismissal of the “wrongful” A. Upyrev from the post he had been elected to.

In Shatura raion of Moscow Oblast, in order to prevent the victory of the popular candidate A. Parvitskii, the elections of the raion’s head were artificially cancelled, with the subsequent appointment of an “acting head”. Mayor of Dzerzhinskii, V. Dorkin, was killed, and his deputy was prevented from participating in the new election.

An active process of property redistribution is going on in the oblast. The most illustrative example is the events surrounding the Open-end Joint-Stock Company “Stupinskaia metallurgicheskaia kompania” [“Stupino Metallurgical Company”] (where the competing groups of stockholders engineered the arrest of A. Shoror, chairman of the board of directors, while a search was initiated for one of the major stockholders, A. Kuiundzhich, who was accused of crimes that looked very much like “contract” ones).

The oblast has become famous as the scene of the most active mass-scale campaign against the monetization of privileges (in Khimki,

Solnechnogorsk, etc.), the reason for which is the prominent role being played in the region's life by commuter transport, the privileges for the use of which were then abolished. After the rallies during which their participants blocked the road traffic and took over some municipal buildings, the money compensations were very noticeably increased.

Murmansk Oblast

None were noted.

Nizhnii - Novgorod Oblast

In 2004–2005, the main conflict was taking place between Governor G. Khodyrev, backed by several prominent financia-industrial groups (including "Russkii aliuminii" ["Russian Aluminum"]) and the RF President plenipotentiary representative in the Volga Federal District, S. Kirienko. Kirienko succeeded in creating a majority in the legislature, which was rigidly opposed to the governor in respect to the issues of both legislation and cadres. The Legislative Assembly's representatives went as far as threatening to reject the former governor's candidacy, if V. Putin were to nominate him once again. Khodyrev was not elected; however, Kirienko did not succeed in appointing his own candidate to the governor's post, and the region was then headed by the former Vice Mayor of Moscow, V. Shantsev. Striving to become the region's omnipotent master, he gradually subordinated to himself the majority in the legislature and in "United Russia", having ousted Kirienko's supporters. At present, Shantsev is trying to engineer the retirement of Mayor of Nizhnii-Novgorod, V. Bulavinov.

An active process of property redistribution is going on in the oblast. The most notorious precedent was the arrest of the politically active businessman V. Klimentiev, which took place after his attempt to put forth his candidacy, as the head of a political bloc, in an election to the Legislative Assembly.

The mass protests in this region have been of a rather specific character. Thus, eight thousand workers of the car manufacturing giant – the Open-end Joint-Stock Company GAZ - launched an action of protest at their working places (both directed against the large-scale job cuts planned by the enterprise's owners and against the actions of the authorities, from whom it was demanded that they should not allow the

growth of prices of the products manufactured by the enterprise's sub-contractors). These actions were partially successful – indeed, there were no large-scale job cuts.

Novgorod Oblast

None were noted.

Novosibirsk Oblast

None were noted.

Omsk Oblast

None were noted.

Orenburg Oblast

The major conflict in the region is between the governor, A. Chernyshev, and the Mayor of Orenburg, V. Mishcheriakov who has twice retained his office in the contest with the candidates supported by the governor.

Orel Oblast

The major political conflict in the region has to do with the governor's loss of control over the city of Orel, where the majority of the members of the city council have formed a coalition and selected their own candidate without heeding the opinion of Ye. Stroyev. The introduction, in the year 2006, of direct voting did not help – the election was won by A. Kasianov, an opponent of the governor.

Penza Oblast

None were noted.

Pskov Oblast

In the election held in Pskov Oblast in 2004, the incumbent governor Ye. Mikhailov, who was the candidate of "United Russia" and was supported by V. Putins plenipotentiary representative in the North – Western Federal District I. Klebanov, lost to the entrepreneur M. Kuznetsov. Since then, both "United Russia" and the Plenipotentiary Representative have been equally active in trying to remove him from office – with

no success so far. In their struggle against the governor they are supported by Mayor of Pskov, M. Khoronen.

Rostov Oblast

The major political and economic conflict of the past few years was caused by the participation of V. Chub, Governor of the Oblast, in the destruction of the largest Taganrog holding of S. Bidash, who was the owner of the Taganrog Metallurgical Plant, "Krasnyi Kotel'shchik", and a number of other enterprises. As a result of the concerted efforts on the part of the governor, the power structures and Moscow big business, S. Bidash's property was seized, and he himself was imprisoned.

Riazan Oblast

Governor G. Shpak, elected in 2004, has so far failed to take under his control the local branch of "United Russia". As a result, the head of Riazan's executive authority F. Provotorov was even excluded, by the party's Political Council, from the ranks of "United Russia" for having refused to withdraw his candidacy in favor of the candidate put forth thereby.

Samara Oblast

In 2003, a majority opposing Governor K. Titkov was formed in the Gubernia's Duma by the members of the "United Russia" faction and the "People's Power" faction, unofficially headed by Mayor of Samara Georgii Limanskii, the perpetual opponent of Mr. Titkov. However, Mr. Titkov did manage to demonstrate a lot of political flexibility. He started with disavowing the SDPR's decision to participate in the Duma elections on the basis of party lists, then he supported "United Russia" at the Duma elections in December 2003, then backed G. Limanskii in his confrontation with the City Duma, and then invited S. Sychev, the head of the regional electoral headquarters of "United Russia", to take the post of Vice-Governor. As a result, the opponents of the governor became completely disorganized, and in the year 2005 Titov succeeded in being reappointed as governor.

However, a group of the governor's foes, headed by the member of the Council of the Federation V. Ishchuk, still remains influential in

“United Russia”, and his veteran opponent V. Trkhov was elected Mayor of Samara.

The region has become a scene of active property redistribution. Thus, enormous tax claims were filed against “Volgotanker”, and a search for its management was officially initiated, which was justly characterized by even the Gubernia’s Duma as an attempt at raider takeover on the part of Moscow financial and industrial groups.

Saratov Oblast

In 2004–06, Governor Aiatskov managed to get involved in conflicts with nearly everybody – with Mayor of Saratov Iu. Aksenenko, with the majority of members of the Oblast Duma, and with the Oblast Office of Public Prosecutor headed by A. Bondar, who regularly initiated criminal proceedings against members of the local government. As a result, P. Ipatov was appointed instead of Aiatskov, and search was initiated for the former executive officer of Saratov Oblast’s government, P. Boiko, and for Aiatskov’s wife, O. Sergeeva, the director of the hotel complex “Oktiabr’skii”. The materials of the investigation are being prepared for referring to the court.

However, the new governor, too, is engaged in a conflict with Saratov municipal authorities (in 2006 he succeeded in removing Iu. Aksenenko from office) and a considerable number of local legislators.

Sakhalin Oblast

For a long time, the role of opposition at the regional level here had been played by the city authorities of Iuzhno-Sakhalinsk, headed by F. Sidorenko, the veteran opponent of Governor I. Farkhutdinov (who perished in 2004). After this, F. Sidorenko announced his bid for governorship – it was his third attempt – and once again lost, this time to Farkhutdinov’s successor, I. Malakhov. In 2005, Sidorenko decided not to run for the office of mayor, and only then the situation became relatively stabilized. Nevertheless, a number of municipalities still remain in opposition to the governor.

Sverdlovsk Oblast

The major conflict in the oblast is that between Governor E. Rossel and Mayor of Ekaterinburg A. Chernetskii. The conflict has been lasting

for more than ten years, during which they were desperately trying – to no avail – to get rid of each other. Also, Ekaterinburg continues to be the scene of property redistribution, taking place with an active involvement of the power structures, which resulted in the murder, in 2004, of one of the prominent Ekaterinburg businessmen, A. Khabarov, who was killed in a Ekaterinburg investigatory isolation ward, and in initiating the search for another deputy, A. Varaksin.

In spite of having a relatively high standard of living, the region is characterized by regular mass protests on the part of workers complaining of the accumulating arrears of their wages.

Smolensk Oblast

In 2005–06, there was a significant worsening of relations between Governor V. Maslov and his erstwhile protégé Mayor of Smolensk V. Khaletskii (their contradictions were mainly associated with the management of municipal property).

Tambov Oblast

None were noted.

Tver Oblast

After D. Zelenin was elected governor of the oblast, he made an attempt to place local municipal authorities, first of all the Tver municipality, under his control. By tradition, the Tver Oblast Office of Public Prosecutor has always been playing a significant role in local conflicts. In 2006, Chairman of the Tver City Duma, V. Pochtarev, and several deputies were arrested, reputedly for lobbying the interests of certain financial groups in return for bribes. Criminal proceedings were also initiated against Mayor of Tver O. Lebedev, but he managed to stop them with the help of the RF Procurator – General's Office.

Tomsk Oblast

The region was the scene of a low-intensity conflict between Governor V. Kress and the mayor of Tomsk. As a result, in 2006 A. Makarov, one of the most influential regional politicians who had been Mayor of Tomsk for more than ten years, was arrested. One of the reasons for his arrest – which had increased the number of his enemies – was his join-

ing the competition for the top jobs in the list of “United Russia” for the forthcoming elections. At the present time, Makarov and his team are striving to preserve their control over the city, that is, to prevent the appointment of “deputies” disloyal to them. They have also put forward a group of their candidates for election to the local legislature.

Tula Oblast

Prior to the appointment of V. Dudka to the post of Governor of Tula Oblast, the oblast authorities were engaged in an active confrontation with the Tula municipality, headed by S. Kozakov. Soon after the appointment of Dudka, Kazakov retired from his office.

The region was rocked by mass protest of social character, taking place in “company cities” (Novomoskovsk, Yasnogorsk, etc.).

Tumen Oblast

None were noted.

Ulianovsk Oblast

After the election, in 2004, of the new governor, S. Morozov, and the new mayor of Ulianovsk, S. Yermakov, the acute confrontation between the municipal and oblast administrations came to an end. However, since the reappointment of Morozov to the post of governor in the year 2006, the preconditions for such a conflict were created once again. At the present time, a conflict associated with the distribution of budget funds is rapidly developing in the oblast.

The poverty and chronic indebtedness of oblast and city authorities gave rise to a permanent and periodically rather acute conflict with the actual creditors – the Gazprom and the Russian Joint – Stock Company “UES of Russia”.

Ulianovsk Oblast is one of the focal points of the protest movement. Mass meetings and the blocking of roads, as a rule in response to the rising of tariffs in the housing and utilities sector or in protest against the activity of regional and local authorities, take place in the region on a regular basis.

Cheliabinsk Oblast

For a number of years, the oblast authorities have been constantly attacked by the law – enforcement agencies aiming, as it is generally believed, at replacing the governor. Thus, in the year 2006, Deputy – Governor of Cheliabinsk Oblast, Head of the Administration, K. Bochkarev, was arrested (on a charge of having exceeded his official authority), and before that, First Deputy Governor of Cheliabinsk Oblast, V. Timashov, was brought to criminal responsibility (he was charged with abuse of office and bribe-taking).

In 2005, the governor managed to force Mayor of Cheliabinsk A. Tarasov to retire, thus putting an end to the long-standing conflict with him over the distribution of budget funds (and over the leadership of “United Russia”.

Chita Oblast

None were noted.

Yaroslavl Oblast

In 2004, Governor A. Lisitsin leveled criticism at the policy of the RF Ministry of Finance and of Minister A. Kudrin. Very soon, criminal proceedings were initiated against him – the Governor was charged with signing some reputedly harmful laws adopted by the legislature (!), and a search was announced for Vice-Governor A. Sazonov. It took two years to settle the conflict, and in 2006 the case was closed.

The governor is engaged in a permanent conflict with the municipal authorities of the city of Rybinsk. Under the governor’s pressure, Mayor V. Rubtsov retired from office, but soon afterwards the governor began to demand the retirement of his own appointee Ye. Sdvizhkov as well.

Jewish Autonomous Oblast

None were noted.

Agin-Buriat Autonomous Okrug

None were noted.

Koriak Autonomous Okrug

In 2005, the region was badly struck by an energy crisis. Governor V. Loginov was removed from office by President Putin, and his deputy, M. Sokolowski, was sentenced to jail for the embezzlement of funds allocated to the power-engineering sector.

The new governor, O. Kozhemiako, has managed not only to improve the situation in power engineering, but also to establish working relations with the oppositional majority of the Okrug Duma.

Nenets Autonomous Okrug

In 2006, Governor of Nenets Autonomous Okrug A. Barinov was arrested as a result of his refusal to recall his representative in the RF Council of the Federation (he was charged with swindling and embezzlement in the course of commercial activity) – he was the last publicly elected governor and had defeated Mr. V. Shmakov, the candidate of “United Russia” and the Plenipotentiary Representation of the President in the North-Western District. There were also some other reasons for the conflict, apart from the formal one, – Barinov had caused displeasure by his insufficient diligence concerning “Rosneft” (he himself is of “Lukoil” extraction) and by his opposition to the Plenipotentiary Representation’s plans to merge the two subjects of the Federation – the Okrug and Arkhangelsk Oblast.

The Okrug became the scene of mass protests against the removal from office and the subsequent arrest of A. Barinov. There were also mass actions in support of the initiative of Nenets MPs, who had proposed to the State Duma some amendments to the RF Budget Code designed to abolish the dependence of the Okrug budget on the Budget of Arkhangelsk Oblast.

Taimyr (Dolgano - Nenets) Autonomous Okrug

In 2003, the mayor election in Norilsk was won by V. Melnikov, the leader of the metallurgical combine trade-union, an outspoken opponent of the combine’s owners. The court decision to declare the electoral results to be null and void availed to nothing – Melnikov won for the second time at the new election. Since then, the city has repeatedly demonstrated its independent position with regard to the Okrug authorities controlled by “Norilsk Nickel”.

In 2003–04, in the course of negotiations and warning strikes, the workers of the combine managed to achieve certain wage increases.

Ust'-Ordynskii Buriatskii Autonomous Okrug

The Okrug Duma of Ust-Ordynsk Buriat Autonomous Okrug actively protested against the Okrug's merger with Irkutsk Oblast, demanding that its status of a national and cultural autonomy be preserved. The protests were, however, fruitless – a falsified referendum took place (with a 98-percent participation, etc.), which rubberstamped the corresponding decisions.

Khanty-Mansi Autonomous Okrug

None were noted.

Chukotskii Autonomous Okrug

None were noted.

Evenk Autonomous Okrug

None were noted.

Yamal-Nenets Autonomous Okrug

Since the late 1990s, there has always existed a certain tension in the relations between the okrug authorities and “Gazprom”, the owner of the major deposits of natural gas in the Okrug (the okrug authorities used to support the independent gas producers – “Nortgaz”, and especially “NOVATEK”). In 2004–05, the law-enforcement agencies conducted repeated audits of these mentioned companies and checks of the activity of Vice-Governor I. Levinzon (these initiatives were strongly encouraged by P. Latyshev, the Plenipotentiary Representative of the RF President in the Urals Federal District, which forced them to significantly reduce their ambitions (for example, “Nortgaz” was forced to hand over its controlling block of shares to “Gazprom”, and Levinzon retired from office). The merger of the autonomous okrugs with Tiumen Oblast was also on the agenda.

Annex 5 Table of Variables (Data for Calculations)

Code	Region	3	4	5	6	7	8	9	10	11	12
1	Adygeya Republic	444.4	5270.4	0.058730873	14.4	866.2	54.83296546	51,2723948	14,76260966	8,756557895	7,511918497
2	Bashkortostan Republic	4078.8	6755.2	0.03498578	10.6	752.6	59,73965128	26,3596761	11,04031664	8,653416839	3,678094342
3	Buryatia Republic	969.2	7662.7	0.055819232	13.7	720.4	75,92520235	38,9075743	13,0354866	10,93757947	6,530502759
4	Altai Republic	203.9	5799	0.04610103	17.7	597.8	51,39091356	34,7095469	14,87335922	11,00382639	4,991680532
5	Dagestan Republic	2621.8	3789.4	0.099740636	16.1	248.5	84,68122877	65,6982632	18,31255628	4,048827639	0,578450252
6	Ingush Republic	481.6	5733.9	0.264327243	24.4	187.6	66,43612179	57,021301	0,98825729	1,034999189	0,563764535
7	Kabardino-Balkaria Republic	896.9	4635.6	0.102129557	14.6	566	75,99112408	74,7775	7,396639055	2,997578427	3,180176015
8	Kalmıyka Republic	289.9	4521.8	0.089686099	8.4	369.6	61,97074152	50,6334845	10,59632634	5,180287429	6,480043091
9	Karachaevo-Cherkessia republ	434.5	4856.2	0.063981588	9.9	615.1	53,02382148	49,58669446	13,19747307	5,112905905	4,786275366
10	Karelia Republic	703.1	8747	0.047503911	9.7	860.7	52,84548977	37,8690286	7,951928661	14,42373798	7,3131517877
11	Komi Republic	996.4	11726.1	0.063327981	8.6	639.3	53,32926245	32,9593849	8,721165221	15,86208596	8,628992508
12	Mariy-El Republic	716.9	5160.4	0.05244804	13.3	749.8	56,42389576	34,5663436	14,76279038	11,70144827	7,25226867
13	Mordovskaya Republic	866.6	5093.2	0.034964228	10.2	756	82,6518421	76,0584327	6,632629526	4,157340896	2,778264696
14	Yakutia	950.7	13559.5	0.045229831	13.5	427	72,65276114	38,8951058	9,031764256	7,91175573	8,904842874
15	Northern Osetia - Alania Rep	704.4	4588.9	0.04116979	9.5	763.3	50,32449463	51,0288866	15,32616066	4,978075132	4,845621807
16	Tatarstan Republic	3768.5	7055.2	0.03364734	11.2	714	77,13403941	59,5293488	8,906525406	6,009729782	3,6681356266
17	Tyva Republic	307.6	6952	0.094928479	20.4	436.5	55,65991944	66,831745	7,580731267	4,041390747	2,76922724
18	Udmurtia Republic	1552.8	6508.7	0.041151468	12.1	772.8	58,48819215	42,1474837	9,797026335	15,778113329	6,82746319
19	Khakassia Republic	541	7824	0.045841035	15.7	771.8	49,83630949	30,3642379	19,04591453	12,918091522	9,293870392
20	Chechen Republic	1141.3	6715.9	0.292210637	12.4	283.5	87,10334096	80,91236645	1,460399376	1,256474938	1,0121112226

Death rates (per 100000 population), heart and blood circulation system diseases

Unemployment, 2005

Salary, brutto, 2005

population

Infant mortality (<1 year) per 1000 born

Turnout - Duma Election 2003

United Russia voting 2003

Communist Party 2003

LDPR 2003

Fodina 2003

	1	2	3	4	5	6	7	8	9	10	11	12
21	Chuvashia Republic	1299,3	5165,4	0,057954283	9,3	598,9	58,44713999	37,32351167	17,94315845	8,36776661	5,987633722	
22	Altayskiy kraj	2565,6	4960	0,045525413	12,5	792,4	58,24317713	29,62560339	17,93466991	14,4678862	6,901771581	
23	Krasnodarskiy kraj	5100,3	6551,8	0,035860636	10,1	850,5	52,37785972	37,05145036	17,16557079	12,42294786	10,794952776	
24	Krasnoyarskiy kraj	2925,4	10377,2	0,048301087	13,1	626,3	45,05127725	29,8964703	13,35275175	12,93258669	17,44665466	
25	Primorskiy kraj	2035,8	9019,1	0,042538356	13,1	808,1	46,01702859	27,87941119	14,87755369	19,42766953	7,431884009	
26	Stavropolskiy kraj	2717,9	5520,5	0,033113801	11,1	840,2	49,48198159	32,01354118	13,70139566	14,99533398	9,98384521	
27	Khabarovskiy kraj	1420,2	10868	0,030559076	14,6	877,3	47,2211552	34,3126844	12,13919955	17,58611319	6,587522183	
28	Amurskaya oblast	887,6	9045,6	0,049346553	17	807	51,20995309	32,9417365	16,8622682	18,47012433	5,62524318	
29	Arhangel'skaya oblast	1304,5	9892,1	0,029359908	10,1	849,8	58,95780491	37,9350122	7,588444385	13,06746923	9,364949715	
30	Astrahanskaya oblast	998,2	6934,8	0,059206572	13	812	53,5101739	31,688635	16,47877285	13,49874012	11,62348288	
31	Belgorodskaya oblast	1511,6	6860,2	0,028115904	8,8	841,1	66,61128741	33,06386803	15,61719111	11,60937627	10,18504727	
32	Byanskaya oblast	1346,5	5236,8	0,032305978	12,3	1028,3	53,83058765	34,7117407	20,07471098	11,682956	8,6113351671	
33	Vladimirskaaya oblast	1487,2	6071,8	0,048951049	10	1170,4	47,36485357	30,3722156	13,78772594	13,69697094	10,48589094	
34	Volgogradskaya oblast	2655,2	6032	0,033669978	14,5	879	50,7899846	28,8935919	19,33580895	14,77642696	9,894699987	
35	Vologodskaya oblast	1245,5	8887,6	0,027298274	10,9	891,5	56,38848367	38,9423524	8,772218212	11,68122271	7,921904816	
36	Voronezhskaya oblast	2334,1	5601,5	0,036587978	10,3	875,4	52,59918199	25,8611027	16,28413941	13,36330717	19,91774015	
37	Ivanovskaya oblast	1114,9	5368,7	0,034980716	10,8	1297,4	51,1803031	33,5990237	11,4818502	14,31752251	9,266621707	
38	Irkutskaya oblast	2545,3	9112,7	0,051310258	12,6	773,1	45,59174397	32,7893038	16,28787925	16,37279721	7,2816653168	
39	Kaliningradskaya oblast	945	7187,5	0,036190476	13	865,7	46,65759664	31,9768098	11,75533687	15,52669728	10,20213329	
40	Kaluzhinskaya oblast*	1021,5	6980,3	0,030445423	10,5	937,2	53,36340094	35,3583116	12,77792695	11,99312782	11,85930811	
41	Kamchatskaya oblast	352,1	15215,8	0,055950014	13	559	51,232813	34,8248173	8,558366941	16,82590156	8,120979441	
42	Kemerovskaya oblast	2855	8687,9	0,044868651	11,8	913,6	56,50869622	52,1294173	7,986377305	13,38709431	6,161150331	
43	Kirovskaya oblast	1461,3	5624,1	0,038732635	12,4	1022,4	59,70249746	32,8854986	11,07781034	14,65018113	7,842166627	
44	Kostromskaya oblast	717,5	5842,1	0,024529617	10,9	1100,4	57,17573521	34,1240702	10,67494755	14,47435867	9,468279134	
45	Kurganskaya oblast	992,1	5647	0,055841145	14,5	730,4	56,65349973	33,5801853	15,82183073	19,20359608	5,459725754	
46	Kurskaya oblast	1199,1	5648,7	0,035860229	14	948,5	44,85808644	30,109628	14,9882211	14,96909512	8,960663335	
47	Leningradskaya oblast	1652,9	8484,8	0,040171819	9	1187,9	46,47443402	38,1074401	9,053445561	12,017889514	10,86607238	
48	Lipetskaya oblast	1189,9	7189,6	0,039331036	7,5	999,7	52,36527657	28,2137075	17,6581022	13,6293741	10,86030749	
49	Magadanskaya oblast	174,7	14517,9	0,041213509	11,8	597,7	51,17841784	34,3564905	11,89593136	19,69415998	8,128978688	
50	Moskovskaya oblast	6629,7	9508,2	0,017723276	10,4	1005,7	53,68726702	33,8518228	9,678425699	9,273977033	15,48863101	
51	Murmanskaya oblast	872,8	12522,4	0,052589368	11	736,5	52,80650421	39,1984266	7,440220152	15,38884109	9,870282652	
52	Nizhegorodskaya oblast	3445,3	6548,3	0,031114852	11,9	1126,9	47,04816138	31,960295	14,2693346	10,39411173	9,97259784	
53	Novgorodskaya oblast	674,1	6892,4	0,029817534	10,3	1161,5	50,979444598	37,0764429	11,66804175	12,59712308	9,268572658	
54	Novosibirskaya oblast	2662,3	7280	0,040153251	12,1	776,3	56,12015556	28,9154607	18,02293604	12,31039529	8,72637008	
55	Omskaya oblast	2046,6	7242,1	0,043486759	11,3	748,6	55,3790337	32,7430816	16,23538184	14,29818474	7,349258696	

	1	2	3	4	5	6	7	8	9	10	11	12
56	Orenburgskaya oblast	2150,4	6042,2	0,046037946	11,2	805,2	55,574993073	27,5893223	18,9685853	15,79956155	7,053130657	
57	Oriovskaya oblast	842,4	5456,3	0,030745489	11,3	915,6	73,87036902	44,6221248	16,28505301	11,2106625	8,413352488	
58	Penzenskaya oblast	1422,8	5441,5	0,032822603	12,7	949,5	57,5103249	45,1527135	14,06999718	9,945442317	7,267101447	
59	Permskaya oblast	2769,8	7649	0,035923171	11,9	904,2	62,40016008	30,722273	7,618243678	12,90790609	5,792282536	
60	Pskovskaya oblast	736,7	5826,9	0,033256414	13,5	1224,5	56,70365188	37,1495744	15,17067331	10,68211772	8,12158639	
61	Rostovskaya oblast	4334,4	5988,6	0,041989564	13,6	909,9	54,48264042	38,9868082	14,71763307	11,31459218	8,979422436	
62	Ryazanskaya oblast	1194,8	6224,8	0,026689029	11,7	940,8	53,56950176	31,6878242	13,56884251	11,27979677	9,6368866381	
63	Samarskaya oblast	3201,3	7666,3	0,028644613	8	820,8	51,41348643	32,5890437	17,38118937	13,46576652	8,07298101	
64	Saratovskaya oblast	2625,7	5705,2	0,04623529	10,5	897,1	60,44567504	44,3201772	16,7707803	9,343300826	6,644587397	
65	Sahalinskaya oblast	532,4	15175,1	0,044327573	13,8	835,5	51,96128638	30,1257995	11,94258217	18,68342787	9,366384949	
66	Sverdlovskaya oblast	4428,2	8695,6	0,036064315	10,4	871,6	49,05219131	34,1397118	7,887020444	13,91016165	6,48358158	
67	Smolenskaya oblast	1019	6301,3	0,040922473	12	1048,3	53,33458652	37,253446	15,0739281	13,21625329	8,26840581	
68	Tambovskaya oblast	1144,8	5077,3	0,041317261	10,9	998,1	53,00090705	28,9787407	20,59505645	11,13640525	7,524361713	
69	Iverskaya oblast	1425,6	6644,6	0,030583614	11,8	1275,4	58,17256584	34,528861	11,31751535	12,57266846	9,813459716	
70	Tomskaya oblast	1036,6	9639,6	0,053154544	13,8	547,8	55,48658534	34,0356987	12,60640871	13,80427024	6,213741994	
71	Tul'skaya oblast	1621,9	6338	0,024600777	11,7	1152,1	51,70456597	29,8566062	13,91765594	11,67751167	13,02328169	
72	Tyumenskaya oblast	3307,5	19981,7	0,037097506	9,7	376,2	55,06756064	49,6657795	9,942989751	12,90748546	4,657295952	
73	Ulyanovskaya oblast	1350,7	5450,2	0,03946102	10,9	871,8	54,94039126	34,0034515	14,14396124	12,46370193	9,855866678	
74	Chelyabinskaya oblast	3551,4	7612,4	0,027369488	12,5	848,7	52,68230437	33,7871281	12,05116508	11,93814076	6,145538262	
75	Chitinskaya oblast	1135,7	7711,1	0,053183059	13,1	848,8	50,61852467	38,0923841	12,64427113	18,09521642	5,787030012	
76	Yaroslavl'skaya oblast	1338,7	7390,1	0,021065213	10,3	1057,8	60,14168483	35,6464731	9,186767338	11,43411529	13,07916428	
77	Moscow	10406,6	13735,7	0,004641285	9,9	712,6	58,09664182	34,4378049	7,695688385	6,459604556	15,31124876	
78	St.Petersburg	4600	10791,3	0,012043478	7,1	981	43,9103012	30,6731988	8,480561676	7,794951855	13,63542978	
79	Yaroslavl'skaya oblast	188,8	8229,6	0,038135593	21,6	905	58,92789388	42,2121111	16,3478642	15,38887886	4,006083885	

Code	Region	Yabloko 2003	SPS 2003	Against All 2003	Turnout/ Presidential Elections 2004	Putin 2004	Kharitonov 2004	Glaziev 2004	Khakamada 2004
1	2	13	14	15	16	17	18	19	20
1	Adygeya Republic	1,712,127,479	0,891,438,274	3,901,539,064	76,097,255,568	76,415,190,995	14,055,849,981	2,888,755,074	1,511,155,788
2	Bashkortostan Republic	2,536,533,565	2,012,815,407	2,833,387,636	62,595,147,311	75,027,388,601	13,478,479,916	3,393,582,546	3,507,690,903
3	Buryatia Republic	3,599,967,775	3,025,859,621	2,782,867,309	89,078,094,445	91,784,269,522	3,964,607,991	1,109,705,373	1,115,330,912
4	Altai Republic	3,280,447,729	5,880,210,872	3,297,534,412	66,632,898,821	66,580,162,178	17,081,210,774	2,861,347,907	7,213,444,645
5	Dagestan Republic	0,797,432,632	4,198,386,645	0,455,560,999	94,109,084,04	94,605,604,841	3,808,977,523	0,241,945,629	0,256,547,733
6	Ingush Republic	3,291,011,247	1,273,478,265	1,532,943,35	96,228,874,24	98,182,459,5	0,520,438,18	0,119,128,432	0,104,486,949
7	Kabardino-Balkaria Republic	0,670,569,396	1,374,314,606	1,319,718,188	97,722,707,76	96,490,822	2,218,490,955	0,368,767,727	0,306,391,059
8	Kalmykia Republic	1,903,966,402	3,128,781,196	4,640,869,314	71,526,638,833	79,234,270,64	11,130,911,168	2,267,625,382	3,999,254,025
9	Karachaevo-Cherkessia Republic	1,823,225,583	9,519,650,118	2,200,911,613	81,423,349,596	82,281,059,906	11,475,872,664	1,592,627,695	1,503,095,332
10	Karelia Republic	7,702,627,838	5,500,637,436	5,665,503,004	56,449,612,54	74,143,866,743	10,128,500,566	2,681,330,469	5,476,786,644
11	Komi Republic	5,628,203,864	4,390,033,517	5,812,549,229	57,609,036,13	73,592,977,63	11,649,256,24	3,326,987,725	3,670,473,27
12	Mariy-El Republic	2,376,924,826	2,333,623,005	6,146,671,526	65,098,679,82	67,300,185,76	18,140,030,345	4,112,768,893	3,237,944,824
13	Mordovskaya Republic	0,817,777,056	2,017,503,234	1,584,443,046	94,571,329,91	91,352,279,751	4,533,508,541	1,006,250,754	0,658,633,430
14	Yakutia	2,388,980,124	12,242,342,333	5,185,368,193	82,044,910,49	69,761,597,18	11,32,995,249	3,347,034,645	8,736,688,143
15	Northern Osetia - Alania Rep	1,061,434,836	5,416,572,488	1,640,522,258	89,239,967,911	91,247,774,563	6,269,575,5321	0,503,917,676	0,453,999,613
16	Tatarstan Republic	2,450,326,928	1,547,360,782	4,399,500,076	83,263,307,11	82,579,931,736	6,594,310,667	2,410,680,069	3,110,068,664
17	Tuva Republic	1,646,997,353	0,903,008,894	1,703,790,366	72,816,120,22	87,529,293,303	6,016,683,1734	1,304,288,329	1,991,992,241
18	Udmurtia Republic	2,444,058,115	4,348,041,344	5,027,590,782	67,286,999,942	75,967,877,558	9,352,198,087	4,001,060,244	3,870,139,875
19	Khakassia Republic	4,220,721,112	2,303,652,606	4,195,153,381	57,421,051,154	61,413,883,789	18,358,804,402	6,918,039,761	4,029,451,562
20	Chechen Republic	0,833,991,258	5,102,154,782	0,669,157,151	94,000,476,01	92,304,927,43	2,292,940,399	0,643,793,922	2,667,955,671
21	Chuvashia Republic	2,468,363,608	3,531,674,829	3,461,789,109	66,677,936,679	67,12,005,929	21,524,97,558	3,219,989,851	2,516,556,707
22	Altaiisky kraj	3,417,966,725	3,333,293,013	3,737,566,789	64,272,230,568	67,636,234,5	18,589,561,27	4,090,259,872	2,738,910,621
23	Krasnodarskiy kraj	2,822,690,293	2,047,178,573	4,384,561,091	63,307,320,14	67,373,150,16	19,266,501,135	4,140,055,863	2,883,478,41

1	2	13	14	15	16	17	18	19	20
24	Krasnoyarskiy kraj	3,493783824	2,780810488	7,082242664	51,12448069	60,30887116	11,09101322	17,23495321	4,026869134
25	Primorsky kraj	7,148152368	3,039740717	5,412142364	66,01337282	59,36577872	16,98093323	5,612009144	5,630553033
26	Stavropolskiy kraj	2,71769561	1,915762842	4,819062234	60,48286999	64,540344498	21,31846851	3,780583883	2,892655467
27	Khabarovskiy kraj	6,016986654	3,304418547	5,884200809	67,82445219	64,52063456	13,02076946	5,736197071	5,069590361
28	Amurskaya oblast	3,13884098	1,706475723	5,133074328	59,30629911	64,87355112	18,74382009	4,597484666	3,457530512
29	Amangelskaya oblast	4,682941551	3,70678381	5,741088495	61,42122088	77,45416702	9,459240599	3,031693908	4,201897621
30	Astrahanskaya oblast	2,619387028	2,405057573	4,796562698	59,32418918	66,07916833	18,28075695	4,765877719	3,444969352
31	Belgorodskaya oblast	2,900926486	1,668515991	5,504414537	71,84783114	54,81501642	27,21547011	4,964228635	3,1763198
32	Byanskaya oblast	2,269853052	2,425185918	4,424924739	61,23190803	63,57372146	23,27954828	4,067685111	2,313884219
33	Vladimirskaia oblast	4,155172177	2,984792962	5,198425777	56,0233997	68,83294284	15,45484106	4,40368251	2,988793048
34	Volgogradskaya oblast	3,417873912	3,973664728	4,406326803	55,70206831	63,02582533	21,95371125	4,141939104	3,680655483
35	Volgodskaia oblast	3,132169327	3,68230905	3,624954438	62,444793797	75,77307603	11,50717533	3,161893875	3,246338061
36	Voronezhskaya oblast	2,69411797	2,863516834	4,404370471	62,50433222	65,28087713	21,95543072	3,373465559	2,931310694
37	Ivanovskaya oblast	4,248263164	3,947033195	6,171039532	53,36262366	67,20892755	16,36991193	4,340694058	3,531007457
38	Irkutskaya oblast	5,33998565	2,760202769	4,415241419	52,433661696	61,95886275	16,758459	5,7380211	5,56658016
39	Kaliningradskaya oblast	5,006321186	4,093871777	5,76399568	54,23455422	69,86088909	11,79335816	5,026985312	4,388558428
40	Kaluzhskaya oblast*	3,856321726	3,061698965	5,05502326	56,41458022	70,162768	14,72892043	4,487893006	3,662279951
41	Kamchatskaya oblast	7,339946954	3,520507598	5,628416101	57,85017238	71,82444199	9,245842362	5,584728075	5,046983606
42	Kemerovskaya oblast	3,818570314	2,278410221	4,050601496	71,87207382	71,50913584	11,31185243	4,143911325	3,633154309
43	Kirovskaya oblast	3,565136974	3,487550743	3,551945897	60,07406215	65,52480108	19,61293836	4,591599648	3,303860519
44	Kostromskaya oblast	3,875405302	2,638339214	4,268488938	54,19506752	69,22132751	18,5407227	3,20834017	2,766593884
45	Kurganskaya oblast	3,046676353	1,390528514	3,822420995	63,00010702	66,94255311	19,15878858	3,470928542	2,351346814
46	Kurskaya oblast	2,486627949	1,843600856	4,902934903	62,86074321	65,253994686	10,07538499	3,808749791	3,375703424
47	Leningradskaya oblast	4,214924954	4,117437762	3,849387873	57,98358602	77,09693174	21,07266732	3,169342811	2,471022871
48	Lipetskaya oblast	2,700531279	2,604120054	5,829828087	67,60984525	63,62052408	21,28360876	3,892260869	2,28576161
49	Magadanskaya oblast	4,5765292	3,740658732	5,268474952	62,16098887	70,04952368	10,35082988	4,419083576	6,235749835
50	Moskovskaya oblast	5,861752031	4,413507457	6,057696731	58,48756968	71,1167344	10,6379763	5,8203571	4,203512191
51	Murmanskaya oblast	5,515708082	2,924729734	5,341576923	57,6646648	74,04147386	8,14414253	4,005242575	5,033956158
52	Nizhegorodskaya oblast	2,962468734	6,758347816	5,697575431	56,94262069	65,8826485	17,21999851	3,93909455	5,101683458
53	Novgorodskaya oblast	5,035333788	2,408795781	4,184453133	54,48109463	71,74312234	13,89974198	3,521093724	3,546895419
54	Novosibirskaya oblast	4,778983762	4,486103139	5,942893411	60,30494963	63,10017863	21,59278754	4,444804031	4,349143497

1	2	14	15	16	17	18	19	20	
55	Omskaya oblast	4,240084884	3,782053856	4,246164435	66,82736799	67,02701977	17,40323417	3,68096866	4,035188098
56	Orenburgskaya oblast	3,376281502	2,779317696	3,904964416	63,61048392	58,7904545	24,5722229	4,993644784	2,657670804
57	Orlovskaya oblast	1,995228254	1,518683737	4,751373557	83,0075376	61,65840587	24,0290785	3,886739662	2,519655318
58	Penzenskaya oblast	2,817512506	1,334216105	3,888548591	64,42131052	64,56135512	20,15701958	5,618715803	2,490627362
59	Permskaya oblast	5,499932405	8,673697662	6,985663336	62,83403174	72,75193285	10,09522662	3,750507059	5,178062936
60	Pskovskaya oblast	3,140665197	3,811444982	4,01748459	61,07145938	70,79475885	16,63564709	3,494635124	3,128266388
61	Rostovskaya oblast	3,763237519	2,58895986	4,458583803	72,61217821	72,48783862	14,21759634	3,693603442	3,007337793
62	Ryazanskaya oblast	3,196449488	2,950963689	5,26720112	61,53463273	73,2171243	13,7002261	4,307731801	2,666620591
63	Samar'skaya oblast	3,870870581	3,510765883	4,789290513	58,69390872	63,27841306	19,12301142	4,681572812	4,308827591
64	Saratovskaya oblast	2,937293568	2,780307184	4,260173109	72,0456503	70,78978555	17,02703417	3,20269229	2,559594515
65	Sahalinskaya oblast	5,54350926	3,700652311	5,624538833	54,86206712	68,41136256	14,09539189	4,085055034	5,009604848
66	Sverdlovskaya oblast	6,03316238	6,99697408	4,660320713	56,78440797	76,34024299	7,780478816	3,593577923	5,571601683
67	Smolenskaya oblast	3,680726433	2,125732204	4,340091022	56,90774155	64,9119153	20,8846207	3,691659226	3,02125457
68	Tambovskaya oblast	2,762689452	1,873461499	5,594547859	72,49053085	63,61984532	24,30653277	3,092446822	2,09717106
69	Tverskaya oblast	3,908243979	4,047721413	3,93297606	54,92320022	70,59143315	15,3893258	3,982438726	3,484767504
70	Tom'skaya oblast	6,018050559	5,219715732	5,530618404	65,90504759	67,15493333	13,55921005	3,719627149	6,596141502
71	Tul'skaya oblast	4,74422095	3,68635127	6,579906611	55,2721691	65,49574894	18,4645727	5,086350491	3,237533029
72	Tyumen'skaya oblast	2,608577426	2,101612714	3,250198819	77,33113898	73,59451785	11,22049425	3,686941709	3,669185861
73	Ulyanovskaya oblast	3,284406432	1,969154708	5,914248036	61,51645482	65,9125776	19,25915135	5,634855981	2,332730776
74	Chelyabinskaya oblast	5,366886986	4,106361685	5,357055709	65,83602771	70,18477981	14,17662739	3,415243341	3,966330319
75	Chitinskaya oblast	2,571844749	1,618972476	3,579846043	54,74332032	72,4917765	14,77696162	3,112396087	2,566255588
76	Yaroslavl'skaya oblast	3,965881365	4,334973574	4,904326016	58,8887849	70,81217165	12,17555119	4,881988819	4,415937519
77	Moscow	10,18623692	7,904433993	6,586643263	60,18564917	68,60894745	7,390210401	6,28809519	8,196895863
78	St. Petersburg	9,078886342	9,30721791	3,794905106	57,50866626	75,1178784	7,388324717	4,135043872	6,743325178
79	Yevreyskaya oblast	3,77922714	2,409063958	4,59256013	69,71233896	67,87375196	15,46803024	3,254281369	4,07859646

Code	Region	Against All 2004	Found guilty of private life violation 2004	Presence of non-critical regional authorities	Presence of human rights organizations having reception offices and / or web sites in the region	Occurrence of cases won in courts	Presence of specialized human rights organizations	HRO registration cancellations cases	Found guilty of the crime against Rule of Law and personal Human rights violation
		21	22	23	24	25	26	27	28
1	Adygeya Republic	2,511,689,933	0	-1	1	0	-1	1	0
2	Bashkortostan Republic	1,705,919,942	2	0	0	1	-1	-1	1
3	Buryatia Republic	0,712,154,383	0	1	0	1	0	0	-1
4	Altai Republic	2,658,561,152	0	1	1	1	0	0	-1
5	Dagestan Republic	0,435,442,227	1	1	1	0	-1	-1	0
6	Ingush Republic	0,059,996,977	0						-1
7	Kabardino-Balkaria Republic	0,245,191,308	0	-1	1	-1	-1	0	-1
8	Kalmychia Republic	1,168,693,922	0	-1	1	0	-1	1	-1
9	Karachaevo-Cherkesa Republic	1,360,327,479	0	1	0	0	-1	0	-1
10	Karelia Republic	3,559,100,59	0	1	1	1	1	-1	0
11	Komi Republic	3,611,059,7546	1	1	1	1	1	1	1
12	Mariy-El Republic	3,096,028,305	1	1	1	-1	0	1	1
13	Mordovskaya Republic	0,754,361,996	3	1	1	1	0	0	1
14	Yakutia	3,575,721,988	0	1	1	1	0	1	0
15	Northern Osetia - Alania Rep	0,443,801,181	1	-1	1	0	-1	0	1
16	Tatarstan Republic	2,182,238,325	0	1	1	1	0	0	0
17	Tuva Republic	1,023,759,429	0	1	1	0	0	0	-1
18	Udmurtia Republic	2,328,202,626	1	1	1	1	0	-1	1
19	Khakassia Republic	4,008,181,995	1	0	1	1	0	1	0
20	Chechen Republic	0,799,076,45	0						0
21	Chuvashia Republic	2,080,696,873	0	1	1	1	0	-1	1
22	Altaiisky krai	2,232,174,079	1	1	1	1	0	-1	1
23	Krasnodarskiy krai	3,090,847,839	0	0	1	0	0	1	1
24	Krasnoyarskiy krai	3,879,965,084	1	0	1	1	1	0	1
25	Primorskiy krai	6,077,531,697	2	-1	1	0	-1	0	1
26	Stavropol'skiy krai	3,535,076,561	2	1	1	1	1	0	1

	1	2	21	22	23	24	25	26	27	28
27	Khabarovskiy kraj		6,230974047	0	0	1	-1	-1	1	0
28	Amurskaya oblast		3,184437148	0	-1	1	0	-1	0	0
29	Arhangelskaya oblast		2,683031254	0	1	1	0	-1	1	0
30	Astrahanskaya oblast		3,591862827	0	0	1	-1	0	1	-1
31	Belgorodskaya oblast		4,853203716	1	1	1	1	0	-1	0
32	Byanskaya oblast		2,997009234	1	1	1	1	0	0	1
33	Vladimirskaaya oblast		4,153275326	1	-1	1	0	-1	1	1
34	Vologodskaya oblast		3,439814382	1	0	1	0	-1	1	1
35	Vologodskaya oblast		2,690588752	0	0	1	-1	-1	1	-1
36	Voronezhskaya oblast		2,667795031	0	0	1	0	0	0	0
37	Ivanovskaya oblast		4,066339142	0	1	1	1	0	-1	0
38	Irkutskaya oblast		4,209196521	0	-1	1	1	0	0	-1
39	Kaliningradskaya oblast		5,012452832	0	0	0	1	-1	-1	-1
40	Kaluzhskaya oblast*		3,660353449	0	1	1	1	1	0	0
41	Kamchatskaya oblast		4,295893543	0	1	1	1	-1	0	0
42	Kemerovskaya oblast		4,02127544	0	1	1	1	1	0	0
43	Kirovskaya oblast		2,737113387	3	1	1	1	1	0	1
44	Kostromskaya oblast		2,501230579	0	-1	1	0	0	0	0
45	Kurganskaya oblast		2,66578761	0	-1	1	0	-1	0	0
46	Kurskaya oblast		3,233681943	0	1	1	1	1	-1	0
47	Leningradskaya oblast		3,066294979	0	-1	-1	-1	-1	0	0
48	Lipetskaya oblast		4,557030166	0	0	1	1	0	0	-1
49	Magadanskaya oblast		4,340631052	0	1	1	1	-1	0	0
50	Moskovskaya oblast		5,130237672	4	1	1	1	0	1	1
51	Murmanskaya oblast		4,791157397	1	-1	1	0	0	0	1
52	Nizhegorodskaya oblast		4,166387354	2	0	1	0	1	1	1
53	Novgorodskaya oblast		3,462788594	0	1	1	-1	0	1	1
54	Novosibirskaya oblast		3,129432033	3	-1	1	1	0	0	1
55	Omskaya oblast		3,129609237	1	-1	1	-1	-1	0	1
56	Orenburgskaya oblast		3,632073298	2	0	1	0	0	0	1
57	Orlovskaya oblast		3,834636547	0	1	1	0	1	-1	-1
58	Penzenskaya oblast		3,105971838	1	1	1	0	1	1	1
59	Permskaya oblast		3,771632829	3	1	1	1	1	-1	1
60	Pskovskaya oblast		2,492587299	0	0	1	0	0	0	1
61	Rostovskaya oblast		3,003198828	0	-1	1	0	0	0	1

1	2	21	22	23	24	25	26	27	28
62	Ryazanskaya oblast	2,716645439	0	1	1	1	0	-1	0
63	Samarskaya oblast	4,169580528	1	0	1	1	0	0	1
64	Saratovskaya oblast	2,949612069	0	1	1	1	0	0	1
65	Sahajinskaya oblast	4,293123106	0	-1	1	0	-1	0	1
66	Sverdlovskaya oblast	2,8252559	0	1	1	1	0	1	1
67	Smolenskaya oblast	3,697845673	0	1	1	0	0	0	0
68	Tambovskaya oblast	3,344587618	0	1	1	0	0	0	0
69	Tverskaya oblast	3,420936092	0	-1	1	0	0	-1	-1
70	Tomskaya oblast	4,884483253	0	1	1	1	0	0	0
71	Tul'skaya oblast	4,435805477	0	-1	1	1	0	0	0
72	Tyumenskaya oblast	3,403382155	1	-1	1	0	0	0	0
73	Ulyanovskaya oblast	2,823894584	0	0	1	0	-1	0	-1
74	Chehyabinskaya oblast	4,0974863	2	1	1	1	0	0	1
75	Chitinskaya oblast	2,308769416	1	-1	1	1	-1	0	0
76	Yaroslavl'skaya oblast	3,548451542	0	-1	1	-1	0	0	-1
77	Moscow	6,602623086	17	1	1	1	1	1	1
78	St.Petersburg	3,861656108	4	1	1	1	1	0	1
79	Yevreyskaya oblast	3,945251372	0	-	-	-	-	-	0

Code	Region	Small business empl. Dynamics 2004/2000	small business part time dy-nam.	small b out-sourcing con-tracts dynam.	Foreign Direct Investm. 2005	reg. officials number per 1000	munic. Offic. per 1000	general gov-ernm. Offic. Per 1000	Dummy capital	Natural Rent dummy
1	2	29	30	31	32	33	34	35	36	37
1	Adygeya Republic	1,184680451	0,98574668	0,598427132	1555	1822,682268	3483,348335	10713,32133	0	-1
2	Bashkortostan Republic	1,100840336	1,142857143	0,5	242734	1275,62028	3233,058743	8013,63146	0	-1
3	Buryatia Republic	2,532060027	1,868852459	1,333333333	49640	1956,252579	5341,518778	13537,96946	0	-1
4	Altai Republic	1,067873303	0,785714286	1	0	3192,74154	9014,222658	23055,41932	0	-1
5	Dagestan Republic	0,673076923	0,673076923	1,333333333	0	1925,01335	2347,62377	7953,695934	0	-1
6	Ingush Republic	1,116071429	1,5	0,6	0	2846,760797	1320,598007	8106,312292	0	-1
7	Kabardino-Balkaria Republic	0,866666667	1	0	0	1478,425688	2871,000111	8621,919946	0	-1
8	Kaimykia Republic	1,4	0,375	0,25	0	5081,062435	3480,510521	19793,03208	0	-1
9	Karachaevo-Cherkessia Republic	0,413793103	0,2	1	0	4345,224396	2626,006904	13666,28308	0	-1
10	Karelia Republic	0,847619048	1	1	74535	1590,100981	2136,253733	12379,46238	0	-1
11	Komi Republic	1,148409894	1,266666667	0,375	159827	2624,448013	3251,706142	12555,19872	0	0
12	Mariy-El Republic	1,565517241	1,526315789	1,081081081	5199	1765,936672	2658,66927	9708,467011	0	-1
13	Mordovskaya Republic	1,704301075	1,947368421	0,642887143	43409	1482,806637	4883,798754	11550,88853	0	-1
14	Yakutia	1,066371681	1	0,933333333	669016	4076,995898	4120,122015	14729,14694	0	0
15	Northern Osetia - Alania Republic	0,877729258	1,111111111	1,052631579	0	2008,801817	2561,044861	10777,96706	0	-1
16	Tatarstan Republic	1,888888889	3,333333333	12	432640	3693,512007	857,6356641	8349,210561	0	0
17	Tyva Republic	1,58998081	1,1875	1,428571429	0	3052,6658	5117,035111	17626,78804	0	-1
18	Udmurtia Republic	0,882352941	0,5	1	79092	1480,551262	3690,75219	9950,412159	0	-1
19	Khakassia Republic	0,73651772	0,549019608	0,183333333	3512	2332,71719	5164,510166	14083,1793	0	-1
20	Chechen Republic	0,741324921	0,777777778	0,444444444	0	n.a.	n.a.	n.a.	0	-1
21	Chuvashia Republic	1,285359801	1,054054054	0,95	15555	1218,348341	3065,496806	8701,608558	0	-1
22	Altaiisky kraj	1,188304094	0,848484848	0,7	1602	1099,158092	5710,165263	12212,73776	0	-1
23	Krasnodarskiy kraj	1,469825155	1,560810811	1,316666667	463926	1527,557203	2350,253907	8100,896026	0	-1
24	Krasnoyarskiy kraj	0,719881744	0,535714286	0,692307692	660691	1532,781842	4860,873727	12213,71436	0	-1

1	2	29	30	31	32	33	34	35	36	37
25	Primorsky krai	0,992424242	0,5555555556	0,389830508	30386	1401,414677	2987,523332	11272,71834	0	-1
26	Stavropolskiy krai	1,423212192	1,655737705	0,5	61038	1052,650944	3437,212554	8653,74002	0	-1
27	Khabarovskiy krai	1,139784946	0,655172414	1	245548	1460,357696	4300,802704	13474,15657	0	-1
28	Amurskaya oblast	0,909433962	0,47826087	0,3333333333	95330	1731,635872	5422,487607	13688,59847	0	-1
29	Arihangel'skaya oblast	1,070036364	0,954545455	0,44	643257	1486,393254	4259,869682	11803,75623	0	-1
30	Strahanskaya oblast	1,178571429	1,178571429	0,6363636363	32325	1927,469445	4120,41675	12100,78121	0	-1
31	Belgorodskaya oblast	1,518518519	1,307692308	0,628571429	21053	1344,932522	4734,056629	11458,05769	0	-1
32	Bryanskaya oblast	1,147798742	1,05	0,625	17685	1409,580394	4112,885258	12062,38396	0	-1
33	Vladimirskaia oblast	1,066413662	0,88	0,321428571	205947	780,661646	4394,163529	9757,261969	0	-1
34	Volgogradskaya oblast	1,320879121	1,578125	0,433962284	16392	1274,856885	3767,324495	9716,028924	0	-1
35	Vologodskaya oblast	0,979876161	1,216216216	0,9333333333	430958	1857,883898	4773,986333	12114,01044	0	-1
36	Voronezhskaya oblast	0,978844589	0,430107527	0,482142857	53346	864,1446382	3424,017823	8692,85806	0	-1
37	Ivanovskaya oblast	0,786177106	0,679245283	0,512820513	896	1204,59234	3161,71854	9640,326487	0	-1
38	Irkutskaya oblast	1,097560976	0,731707317	0,25	217069	1473,696617	3529,642871	10575,57066	0	-1
39	Kaliningradskaya oblast	1,434951456	0,808510638	2,482758621	75281	968,2539683	3406,349206	13383,06878	0	-1
40	Kaluzhskaya oblast*	1,095412844	0,88	0,30952381	25342	2233,969652	4000	12212,4327	0	-1
41	Kamchatskaya oblast	0,876470588	1,25	0,875	28068	2939,505822	5932,973587	21172,96223	0	-1
42	Kemerovskaya oblast	1,146838156	1,12244898	0,827586207	547592	879,8598949	2871,803853	8295,971979	0	-1
43	Kirovskaya oblast	1,646892655	1,428571429	0,740740741	201133	1771,428571	6593,728223	15121,95122	0	-1
44	Kostromskaya oblast	0,955947137	0,952380952	1,166666667	214788	1512,952323	5214,192118	13342,405	0	-1
45	Kurganskaya oblast	1,180094787	0,823529412	0,384615385	4856	3440,914019	3581,853056	12950,54624	0	-1
46	Kurskaya oblast	1,036231884	0,684210526	0,5333333333	4850	896,6059653	3545,284046	9117,308972	0	-1
47	Leningradskaya oblast	1,097770154	0,96	0,623376623	351227	1321,959829	4017,984705	10216,82494	0	-1
48	Lipetskaya oblast	1,250746269	1,095238095	0,888888889	44205	3760,732685	6090,440756	28660,56096	0	-1
49	Magadanskaya oblast	0,926380368	0,666666667	0,793103448	2898	1402,476733	2728,931928	7608,036563	0	-1
50	Moskovskaya oblast	1,371168866	1,245192308	0,519513514	2737424	1189,275894	3257,332722	12094,4088	0	-1
51	Murmanskaya oblast	1,201581028	0,888888889	0,388888889	29424	635,0680637	1565,611122	4564,769396	0	-1
52	Nizhegorodskaya oblast	1,599493029	1,923173179	0,815217391	7889	1437,472185	5316,718588	13478,71236	0	-1
53	Novgorodskaya oblast	1,048275862	1,293076923	1,111111111	270996	937,5352139	3512,376517	10102,1673	0	-1
54	Novosibirskaya oblast	1,069655725	0,679104478	0,5384641538	71735	1408,677807	3500,928369	9851,46096	0	-1
55	Onmayskaya oblast	0,883317261	0,938271605	0,372093023	5145759	1565,755208	6251,860114	15425,0372	0	-1
56	Orenburgskaya oblast	1,011705686	0,5	0,239130435	102753	1742,640076	4953,703704	12945,1567	0	-1
57	Oriovskaya oblast	1,030701754	1,857142857	0,8333333333	19693	1523,053135	5599,522069	15010,54259	0	-1
58	Penzenskaya oblast	0,917205692	0,647058824	0,921568627	112622	538,3060149	2268,755867	5251,281681	0	-1
59	Permskaya oblast	1,99381762	1,307692308	0,484848485	3909	1645,110518	6908,232396	17951,1394	0	0

1	2	29	30	31	32	33	34	35	36	37
60	Pskovskaya oblast	1,370967742	0,68	1	9163	1964,164517	4851,364192	16003,80073	0	-1
61	Rostovskaya oblast	1,15210356	1,346938776	0,647058824	7450	774,963086	3109,542267	8887,504614	0	-1
62	Ryazanskaya oblast	0,965802537	0,981818182	0,447368421	412030	1432,875795	4552,226314	11403,58219	0	-1
63	Samarskaya oblast	1,423957722	1,264248705	0,555555556	922839	1289,47615	3343,016899	9063,505451	0	-1
64	Saratovskaya oblast	1,174899866	0,80952381	0,625	3618	1105,609933	3501,542446	9188,406901	0	-1
65	Sahalinskaya oblast	1,066225166	0,8	0,444444444	4861563	3204,357626	5865,890308	18664,53794	0	0
66	Sverdlovskaya oblast	1,561690525	1,597315436	1,61971631	1093827	1652,590217	2358,520392	8639,62784	0	-1
67	Smolenskaya oblast	0,807017544	1,090909091	0,307692308	29746	1590,77527	4287,536801	12582,92444	0	-1
68	Tambovskaya oblast	1,040892193	1,230769231	0,714285714	5862	1335,604472	5400,943396	12073,72467	0	-1
69	Tverskaya oblast	0,921708185	0,8125	0,47826087	1442	1605,639731	4351,851852	11842,03143	0	-1
70	Tomsкая oblast	1,781671159	1,4	0,761904762	64117	1636,118078	4436,619718	12079,87652	0	-1
71	Tulskaya oblast	1,072356215	0,529411765	0,432432432	235558	1689,993218	3668,536901	10093,10068	0	-1
72	Tyumenskaya oblast	1,143205858	1,253333333	0,571428571	3433249	2331,670446	4928,798186	13043,99093	0	1
73	Ulyanovskaya oblast	1,276697061	1,5	1,083333333	212	1260,087362	4285,925816	10518,99015	0	-1
74	Chelyabinskaya oblast	1,090501122	0,780645161	0,583333333	832913	881,905273	3275,046461	8471,870248	0	-1
75	Chitinskaya oblast	0,538243626	0,666666667	1,333333333	28808	1625,423251	5097,296821	13913,0052	0	-1
76	Yaroslavlskaya oblast	0,899186992	0,1625	0,34375	77145	1338,612086	4153,283036	10688,72787	0	-1
77	Moscow	1,217951456	0,941828255	0,437969925	25227971	2571,156766	123,2871447	6512,021217	1	0
78	St.Petersburg	0,993306773	0,799682035	0,630434783	1417164	2068,695652	371,3043478	7299,130435	1	-1
79	Yevreyskaya oblast	1,196428571	2	3	1863	3945,974576	6668,432203	19014,83051	0	-1

Code	Region	investments in real estate	investments in real estate per capita	budget in- come 2005	budget spending 2005	budget deficit 2005	budget deficit 2005, % of incomes	budget proc- ess of law well regu- lated	budget de- ficits 2004, % of incomes
		38	39	40	41	42	43	44	45
1	Adygeya Republic	2613,3	5,880513051	4 698 743	4 626 657	72 086	1,534154986	1	-2,78
2	Bashkortostan Republic	84156,8	20,63273512	59 047 880	55 848 313	3 199 567	5,418597586	0	0,566513481
3	Buryatia Republic	8409,0	8,676227817	15 611 234	15 843 396	-232 162	-1,487147012	0	0,620465112
4	Altai Republic	2732,9	13,40313879	5 799 136	6 009 811	-210 675	-3,632868378	0	-0,276633638
5	Dagestan Republic	24065,2	9,178884736	22 529 192	23 192 155	-662 963	-2,942684318	1	-1,864501799
6	Ingush Republic	1787,6	3,71179402	5 539 830	5 645 084	-105 254	-1,899949998	-1	3,07009089
7	Kabardino-Balkaria Republic	5699,0	6,354108596	8 830 076	8 955 848	-125 773	-1,424370526	1	-0,872234959
8	Kalmykia Republic	3019,0	10,41393584	3 790 819	4 338 919	-548 100	-14,45861699	0	8,798936358
9	Karachaevo-Cherkessia Republic	6029,5	13,87686997	5 233 299	5 260 768	-27 469	-0,524888794	-1	-3,307008056
10	Karelia Republic	14746,4	20,9734035	13 804 670	13 525 289	279 382	2,023822373	0	-3,165282274
11	Komi Republic	50469,7	50,65204737	24 480 529	23 506 368	974 161	3,979329858	1	-0,040816276
12	Mariy-El Republic	6984,4	9,742502441	8 188 027	8 196 654	-8 628	-0,10537397	1	-3,272607505
13	Mordovskaya Republic	13889,6	16,02769444	19 405 959	19 855 345	-449 385	-2,315706222	0	-6,709651798
14	Yakutia	44252,6	46,54738614	51 746 418	64 489 952	-12 743 535	-24,62689302	1	-5,788254305
15	Northern Ossetia - Alania Republic	4801,4	6,816297558	9 833 024	10 374 219	-541 194	-5,503840934	-1	-1,65089276
16	Tatarstan Republic	136136,0	36,12471806	87 254 859	87 824 526	-569 667	-0,652877108	1	-4,559831728
17	Tyra Republic	1046,6	3,402470741	6 859 071	6 740 308	118 763	1,731473548	0	-1,635425402
18	Udmurtia Republic	19024,7	12,25186759	21 505 437	21 658 592	-153 155	-0,712168741	0	-2,681176815
19	Khakassia Republic	10825,0	20,00924214	7 284 931	7 145 970	138 962	1,907526646	0	2,966910322
20	Chechen Republic	6357,0	5,569964076	16 753 320	15 410 729	1 342 591	8,013880234	n.a.	n.a.
21	Chuvashia Republic	18956,8	14,59001001	14 999 511	15 677 350	-677 839	-4,519073988	0	-2,571276466
22	Altaiisky krai	20260,7	7,897061116	29 397 788	28 300 274	1 097 514	3,733321704	0	-1,668143613
23	Krasnodarskiy krai	109978,8	21,56320216	61 558 375	60 033 969	1 524 406	2,476358416	0	-2,249519963
24	Krasnoyarskiy krai	75069,0	25,66110617	67 526 798	72 280 486	-4 753 688	-7,039705925	0	0,733192527
25	Primorskiy krai	22040,2	10,82630907	33 564 594	32 986 260	578 334	1,723047804	0	0,042055854

	2	38	39	40	41	42	43	44	45
1									
26	Stavropolskiy kraj	28708,5	10,56275065	28 998 670	29 288 436	-289 767	-0,999242379	1	-0,688023941
27	Khabarovskiy kraj	40527,9	28,53675539	33 007 335	35 066 353	-2 059 018	-6,238061934	0	-14,62644669
28	Amurskaya oblast	24467,0	27,56534475	18 365 135	17 993 820	371 315	2,021847375	0	-2,442619416
29	Arhangelskaya oblast	45233,8	34,66520123	22 450 936	22 230 910	220 025	0,980025955	1	0,921866549
30	Astrahanskaya oblast	18360,8	18,39390904	11 133 876	11 880 261	-746 385	-6,70373013	0	-2,754058929
31	Belgorodskaya oblast	35326,2	23,37007145	24 730 671	25 789 928	-1 059 257	-4,28317129	1	-7,136623846
32	Bylganskaya oblast	7004,9	5,202302265	13 453 272	14 105 781	-652 509	-4,850188118	0	-3,263327322
33	Vladimirska oblast	14950,7	10,05291824	15 822 611	15 283 130	539 482	3,409563693	0	1,207779277
34	Volgogradskaya oblast	39781,4	14,98244953	29 548 700	30 048 952	-500 252	-1,692974649	1	-2,136898452
35	Vologodskaya oblast	61182,5	49,12284223	26 377 019	28 099 105	-1 722 086	-6,528736246	0	12,09048381
36	Voronezhskaya oblast	27371,5	11,72678977	25 070 802	24 331 691	739 111	2,94809476	0	-4,193267505
37	Ivanovskaya oblast	11183,3	10,03076509	13 207 140	13 138 290	68 851	0,5213165	1	0,407193977
38	Irkutskaya oblast	30769,8	12,08886968	41 631 355	43 249 094	-1 617 739	-3,885866794	0	-2,98966696
39	Kaliningradskaya oblast	24234,6	25,64507937	15 145 094	15 164 461	-19 367	-0,127876394	0	-1,476885659
40	Kaluzhskaya oblast*	12451,4	12,18932942	14 605 013	14 953 733	-348 720	-2,387673328	1	-3,506702583
41	Kamchatskaya oblast	7650,8	21,72905425	11 603 964	12 495 347	-891 383	-7,681711181	0	-6,0894675
42	Kemerovskaya oblast	84151,3	29,4750613	57 211 334	57 659 042	-447 708	-0,782551234	-1	-5,180783669
43	Kirovskaya oblast	13548,2	9,271333744	17 268 408	18 255 783	-987 375	-5,717811393	0	-3,903546128
44	Kostromskaya oblast	15298,4	21,32181185	8 270 589	8 959 683	-689 094	-8,33186125	-1	-4,291521509
45	Kurganskaya oblast	7444,9	7,504183046	11 334 827	11 090 849	243 978	2,152463377	0	-0,268189346
46	Kurskaya oblast	16530,0	13,785339	15 163 401	14 744 715	418 685	2,761154968	0	0,285531583
47	Leninogradskaya oblast	78347,9	47,40028662	28 125 697	29 271 021	-1 145 325	-4,072165749	0	-3,703973525
48	Lipetskaya oblast	30186,6	25,36902261	21 953 152	24 549 922	-2 596 770	-11,82868865	0	1,372173093
49	Magadanskaya oblast	4155,9	23,78878077	9 024 358	9 121 610	-97 252	-1,077661148	0	-2,160617223
50	Moskovskaya oblast	162016,5	24,43798362	139 068 992	141 076 027	-2 007 935	-1,443850254	-1	0,934618389
51	Murmanskaya oblast	18763,7	21,49828139	17 230 121	17 250 549	-20 428	-0,118559817	1	0,741967202
52	Nizhegorodskaya oblast	60296,2	17,50100136	40 635 833	41 447 746	-811 913	-1,998022287	0	1,591601168
53	Novgorodskaya oblast	12635,4	18,74410325	11 132 926	10 581 073	551 852	4,956933585	0	-0,143002846
54	Novosibirskaya oblast	32610,4	12,24895767	40 625 350	41 699 556	-1 074 206	-2,644176604	1	-10,03496126
55	Omskaya oblast	34519,2	16,86660803	41 507 207	41 645 692	-138 485	-0,333640854	0	-9,236775278
56	Orenburgskaya oblast	36826,3	17,12532552	29 095 894	29 115 071	-19 177	-0,065909643	0	2,57571587

	2	38	39	40	41	42	43	44	45
57	Orlovskaya oblast	8595,7	10,20382241	9 687 487	9 783 007	-95 520	-0,986014226	0	-0,337073957
58	Penzenskaya oblast	15085,8	10,6028957	14 200 806	14 625 229	-424 423	-2,988724724	0	0,308712332
59	Perm'skaya oblast	52869,5	19,08784028	46 972 114	43 855 290	3 116 824	6,635477381	0	6,47659109
60	Psikovskaya oblast	5630,6	7,643002579	9 164 599	8 635 470	529 129	5,773618682	0	-5,279183934
61	Rostovskaya oblast	57721,4	13,31704504	47 086 296	46 326 723	759 572	1,61314876	0	1,467297588
62	Ryazanskaya oblast	19704,3	16,49171409	14 180 231	14 825 148	-644 916	-4,547993612	0	-0,572239227
63	Samarskaya oblast	67206,0	20,98334645	55 544 858	52 786 699	2 758 160	4,965644165	1	1,67912314
64	Saratovskaya oblast	35954,1	13,69314849	26 759 070	27 906 573	-1 147 503	-4,288276835	0	-3,425013117
65	Sahalinskaya oblast	77927,3	146,3698347	17 184 117	17 231 992	-47 875	-0,278600291	0	-5,4660992
66	Sverdlovskaya oblast	96449,4	21,78072354	67 583 433	64 740 456	2 842 978	4,20661969	0	1,04090997
67	Smolenskaya oblast	14769,0	14,4936212	11 283 613	10 892 096	391 517	3,469784013	0	0,654241935
68	Tambovskaya oblast	14253,3	12,4504717	12 699 037	12 612 177	86 860	0,683988873	0	-2,68990011
69	Tverskaya oblast	22250,6	15,6078844	18 588 508	18 903 646	-315 138	-1,695537786	1	0,691454969
70	Tomskaya oblast	18046,0	17,40883658	20 163 479	20 231 181	-67 702	-0,33576547	0	-2,269699631
71	Tul'skaya oblast	16106,4	9,930575251	20 735 087	20 495 639	239 448	1,154796216	1	-1,072428902
72	Tyumenskaya oblast	415966,5	125,7646259	134 715 654	98 674 395	36 041 259	26,75357906	0	27,64010557
73	Ulyanovskaya oblast	12954,5	9,590952839	14 017 689	13 349 561	668 128	4,766320611	0	0,886662001
74	Chelyabinskaya oblast	71462,5	20,12234612	46 245 742	46 993 245	-747 503	-1,616371514	1	12,41480292
75	Chitinskaya oblast	17641,0	15,53315136	16 598 910	17 168 887	-569 977	-3,433821859	0	-1,161741621
76	Yaroslavl'skaya oblast	35789,7	26,73466796	23 107 314	23 502 895	-395 581	-1,711929824	1	-8,469842041
77	Moscow	432425,5	41,55300482	523 277 763	503 760 236	19 517 527	3,729859814	0	-3,490591754
78	St.-Petersburg	154128,2	33,50613043	142 803 809	136 352 652	6 451 157	4,517496449	0	1,305687281
79	Yevreyskaya oblast	5774,8	30,58686441	3 341 409	3 341 982	-573	-0,017148454	0	2,601206797

Code	Region	Small business empl. 2004	Small business part time	small b outsourcing contracts, 2004	dwelling area per cap, 2004	dwell new built per 1000	cars per 1000	phones per 1000	cellular phones per 1000	electric energy consumption per cap
1	2	46	47	48	49	50	51	52	53	54
1	Adygeya Republic	13,1	29,47794779	1,1	22,9	89,0	156,2	187,1	342,5	1992,4
2	Bashkortostan Republic	185,6	45,50357948	17,4	18,9	369,0	165,5	232,3	443,5	5760,5
3	Buryatia Republic	23,6	24,34997936	1,9	17,8	203,0	98,8	184,7	99,3	4904,0
4	Altai Republic	7,0	34,33055419	0,7	15,6	203,0	157,0	172,4	181,5	2147,9
5	Dagestan Republic	37,5	14,30315051	2,1	15,6	221,0	53,1	63,9	58,3	1835,0
6	Ingush Republic	1,3	2,699335548	0	6,4	37,0	54,6	27,3	272,9	843,5
7	Kabardino-Balkaria Republic	19,6	21,85304939	0,8	15,5	247,0	102,8	193,1	159,4	1522,0
8	Kalmykia Republic	2,4	8,278716799	0,2	20,0	178,0	138,5	215,8	197,5	1828,7
9	Karachaevo-Cherkessia Republic	8,9	20,48331415	0,6	18,6	145,0	129,5	211,8	34,6	2791,3
10	Karelia Republic	32,5	46,22386574	2,8	22,1	134,0	191,7	322,5	474,1	11856,0
11	Komi Republic	45,4	45,56403051	6,9	22,3	140,0	136,6	341,6	343,9	8126,6
12	Mariy-El Republic	31,7	44,21816153	4,6	20,4	225,0	99,0	259,7	280,8	3764,6
13	Mordovskaya Republic	24,1	27,80983153	3,1	21,5	179,0	105,0	254,1	132,6	3227,0
14	Yakutia	20,1	21,14231619	3	19,5	252,0	127,1	282,6	111,2	7302,5
15	Northern Osetia - Alania Republic	22,1	31,37421919	2,2	25,4	193,0	128,4	259,0	143,6	2904,2
16	Tatarstan Republic	133,4	35,39869975	17,4	20,1	469,0	125,7	262,4	465,9	6295,5
17	Tuva Republic	3,0	9,752925878	0,2	12,6	57,0	72,2	115,8	12,6	2203,2
18	Udmurtia Republic	47,8	30,78310149	3,9	18,3	232,0	148,1	256,4	369,0	5025,4
19	Khakassia Republic	23,5	43,43807763	1,1	19,1	192,0	184,1	217,3	112,7	21070,7
20	Chechen Republic			...		-	41,6	4,2	24,5	1171,7
21	Chuvashia Republic	51,8	39,86762103	5,8	20,1	480,0	80,6	230,3	359,7	4065,1
22	Altaijsky krai	101,6	39,60087309	7,7	19,5	138,0	153,0	243,8	245,1	3749,0
23	Krasnodarskiy krai	260,6	51,09503363	31	19,0	355,0	190,4	242,9	1039,8	3125,5

	1	2	46	47	48	49	50	51	52	53	54
24	Krasnoyarskiy krai	97,4	33,29459219	7,2	20,3	226,0	144,0	216,7	433,6	18923,9	
25	Primorskiy krai	104,8	51,47853424	6,8	19,1	105,0	189,2	254,5	402,3	5004,9	
26	Stavropolskiy krai	121,4	44,66683837	11,5	19,5	238,0	168,9	240,4	382,9	2766,7	
27	Khabarovskiy krai	84,8	59,70990001	8,4	19,7	127,0	160,7	254,0	486,6	5502,9	
28	Amurskaya oblast	24,1	27,15187021	1,6	19,8	90,0	150,4	182,0	70,0	7154,8	
29	Athangelskaya oblast	33,6	25,75699502	4,3	23,0	80,0	115,3	304,3	416,0	6023,5	
30	Astrhanskaya oblast	42,6	42,67681827	4,7	19,0	631,0	160,4	260,2	470,0	3782,8	
31	Belgorodskaya oblast	53,3	35,26065097	5,6	22,5	534,0	152,7	252,8	299,9	7826,6	
32	Bryanskaya oblast	36,5	27,10731526	2,6	22,3	169,0	77,2	215,8	218,5	2965,8	
33	Vladimirskaaya oblast	56,2	37,78913394	6,9	22,9	217,0	129,7	248,4	468,9	4386,9	
34	Volgogradskaya oblast	120,2	45,26965954	12,4	19,7	191,0	144,8	271,8	511,2	6495,2	
35	Vologodskaya oblast	63,3	50,82298267	7,3	23,5	240,0	151,0	298,6	422,5	10627,2	
36	Voronezhskaya oblast	120,3	51,54020822	6,7	23,4	300,0	183,7	280,4	248,6	3897,1	
37	Ivanovskaya oblast	36,4	32,64866804	5,6	22,0	80,0	106,4	228,9	417,9	3677,7	
38	Irkutskaya oblast	76,5	30,05539622	5	19,4	105,0	155,2	239,8	197,5	20356,0	
39	Kaliningradskaya oblast	73,9	78,2010582	11	19,5	259,0	227,4	278,3	602,1	3731,7	
40	Kaluzhskaya oblast*	59,7	58,44346549	5,7	22,6	210,0	145,4	298,1	520,7	4101,4	
41	Kamchatskaya oblast	14,9	42,31752343	1,9	21,5	47,0	230,5	362,9	302,9	4558,2	
42	Kemerovskaya oblast	107,0	37,47810858	7,9	19,9	203,0	130,4	233,2	439,9	11453,5	
43	Kirovskaya oblast	58,3	39,89598303	6	20,6	157,0	123,2	269,1	290,7	4876,6	
44	Kostromskaya oblast	21,7	30,24390244	2,7	23,1	113,0	123,7	216,5	440,3	4703,5	
45	Kurganskaya oblast	24,9	25,09827638	1,9	19,2	98,0	155,5	218,7	219,3	4425,5	
46	Kurskaya oblast	28,6	23,85122175	2,1	22,6	237,0	133,0	205,5	289,1	6537,0	
47	Leningradskaya oblast	128,0	77,43965152	14,4	23,4	308,0	167,2	271,1	...	8861,6	
48	Lipetskaya oblast	41,9	35,21304311	3,9	22,4	352,0	162,8	287,6	357,5	8598,7	
49	Magadanskaya oblast	15,1	86,43388666	3,3	26,1	22,0	195,4	395,8	67,2	5667,5	
50	Moskovskaya oblast	344,3	51,93298831	35,4	24,0	866,0	206,9	263,8	...	13321,7	
51	Murmanskaya oblast	30,4	34,8304308	3,7	22,3	7,0	147,2	383,3	598,6	14390,9	
52	Nizhegorodskaya oblast	252,4	73,25922271	26,7	21,6	198,0	136,3	307,5	518,7	5939,3	
53	Novgorodskaya oblast	30,4	45,09716659	3,5	24,2	188,0	126,1	302,4	501,2	5058,6	
54	Novosibirskaya oblast	133,6	50,18217331	11,2	18,8	264,0	173,4	290,5	491,8	5041,4	

	1	2	46	47	48	49	50	51	52	53	54
55	Omskaya oblast	91,6	44,75715821	9,2	19,8	254,0	146,6	218,0	356,1	4789,4	
56	Orenburgskaya oblast	121,0	56,26860119	6,5	19,5	253,0	166,8	218,6	364,3	6845,6	
57	Orlovskaya oblast	23,5	27,89648623	4,9	21,7	286,0	145,2	240,4	301,7	3509,0	
58	Penzenskaya oblast	70,9	49,83131853	9,1	21,6	195,0	113,1	226,3	317,2,0	8894,4	
59	Permskaya oblast	129,0	46,57375984	11,7	19,3	161,0	124,5	289,6	427,6	2637,2	
60	Pskovskaya oblast	34,0	46,15175784	2,7	25,0	178,0	130,9	282,4	445,2	4701,4	
61	Rostovskaya oblast	71,2	16,42672573	8,8	23,0	225,0	150,6	244,4	547,8	3214,8	
62	Ryazanskaya oblast	175,1	146,5517241	19,6	19,4	257,0	156,4	213,7	310,2	7118,2	
63	Samarskaya oblast	242,5	75,75047637	29,4	20,4	266,0	194,2	298,4	619,0	4900,6	
64	Saratovskaya oblast	88,0	33,51487222	8,3	22,3	184,0	149,1	245,1	380,9	5012,9	
65	Sahalinskaya oblast	32,2	60,48084147	3,6	21,4	110,0	200,2	309,0	159,7	9320,4	
66	Sverdlovskaya oblast	229,1	51,73659726	35,3	20,6	201,0	145,5	296,6	490,9	5589,0	
67	Smolenskaya oblast	23,0	22,57114818	1,6	23,3	257,0	119,0	299,5	482,3	3121,4	
68	Tambovskaya oblast	28,0	24,45842068	2,1	22,1	270,0	151,5	235,1	356,6	7977,6	
69	Tverskaya oblast	51,8	36,335578	3,7	25,1	224,0	145,3	245,0	531,3	6338,9	
70	Tomskaya oblast	66,1	63,7661586	6,5	19,4	286,0	137,2	397,5	543,3	20618,8	
71	Tulskaya oblast	57,8	35,63721561	4,3	23,0	132,0	148,6	289,2	470,3	4325,1	
72	Tyumenskaya oblast	140,5	42,47921391	17	18,4	416,0	195,6	330,3	510,0	9459,9	
73	Ulyanovskaya oblast	44,3	32,79780854	5,2	21,1	116,0	131,7	273,4	372,0	5832,4	
74	Chelyabinskaya oblast	145,8	41,05423213	16,3	20,1	227,0	150,7	297,1	520,9	5772,0	
75	Chitinskaya oblast	19,0	16,72977019	1,4	18,3	129,0	140,2	148,5	143,4	4203,2	
76	Yaroslavl'skaya oblast	55,3	41,30873235	5,1	21,9	162,0	119,0	303,1	558,6	849,6	
77	Moscow	1711,1	164,4244998	216,6	19,1	440,0	224,2	575,8	985,1	4249,6	
78	St. Petersburg	623,3	135,5	70,6	21,4	436,0	209,1	468,5	849,6	0,7	
79	Yevreyskaya oblast	6,7	35,48728814	0,5	20,1	56,0	147,1	219,7	0,7	5855,5	

Code	Region	crimes per 100000	conflicts between branches and levels of power in the region & Change of governor precedent	Mass unrest, protests	Big business under attack	Federal pressure in the vs big business in the region	All kinds of the conflicts	
		55	56	57	58	59	60	61
1	Adygeya Republic	1268	1	1	0	0	0	1
2	Bashkortostan Republic	1514	1	0	1	0	0	1
3	Buryatia Republic	2609	0	0	0	0	0	0
4	Altai Republic	2307	1	1	1	0	0	1
5	Dagestan Republic	430	1	1	1	1	0	1
6	Ingush Republic	310	1	1	1	0	0	1
7	Kabardino-Balkaria Republic	861	0	1	1	0	0	1
8	Kalmykia Republic	1595	0	0	1	0	0	1
9	Karaachaevo-Cherkessia Republic	1269	1	1	1	1	0	1
10	Karelia Republic	2194	1	0	1	0	0	1
11	Komi Republic	2669	1	1	1	0	0	1
12	Mariy-El Republic	2383	1	0	0	1	0	1
13	Mordovskaya Republic	1505	0	0	0	0	0	0
14	Yakutia	1635	1	0	1	0	0	1
15	Northern Osetia - Alania Republic	814	1	1	1	1	0	1
16	Tatarstan Republic	1685	0	1	0	0	0	0
17	Tyva Republic	2966	1	0	0	0	0	1
18	Udmurtia Republic	2376	1	0	1	0	0	1
19	Khakassia Republic	2891	0	0	0	0	0	0
20	Chechen Republic	495	1	1	0	0	0	1
21	Chuvashia Republic	1800	0	0	1	0	0	1
22	Altayskiy krai	2298	1	1	0	0	0	1
23	Krasnodarskiy krai	1107	1	0	0	1	0	1

1	2	55	56	57	58	59	60	61
24	Krasnoyarskiy krai	2247	0	0	0	0	0	0
25	Primorskiy krai	2330	1	0	1	1	0	1
26	Stavropolskiy krai	1630	1	0	1	1	0	1
27	Khabarovskiy krai	3055	0	0	0	0	0	0
28	Amurskaya oblast	1955	1	1	0	0	0	1
29	Arhangelskaya oblast	2139	1	1	0	0	0	1
30	Astrahanskaya oblast	2718	0	0	1	0	0	1
31	Belgorodskaya oblast	1280	1	0	0	1	0	1
32	Bryanskaya oblast	1854	0	0	0	0	0	0
33	Vladimirskaaya oblast	2152	0	0	0	0	0	0
34	Volgogradskaya oblast	1702	1	0	0	1	0	1
35	Vologodskaya oblast	2711	0	0	0	0	0	0
36	Voronezhskaya oblast	1608	1	0	1	1	0	1
37	Ivanovskaya oblast	2173	1	1	0	0	0	0
38	Irkutskaya oblast	2750	1	1	1	0	0	1
39	Kaliningradskaya oblast	2554	1	1	0	0	0	1
40	Kaluzhskaya oblast*	2035	0	0	0	0	0	0
41	Kamchatskaya oblast	2348	1	0	0	0	0	1
42	Kemerovskaya oblast	1619	1	0	1	0	0	1
43	Kirovskaya oblast	2188	1	1	1	0	0	1
44	Kostromskaya oblast	2202	1	0	0	0	0	1
45	Kurganskaya oblast	3119	0	0	0	0	0	0
46	Kurskaya oblast	1804	1	0	0	0	0	1
47	Lenin gradskaya oblast	1931	0	0	0	0	0	0
48	Lipetskaya oblast	1162	0	0	0	0	0	0
49	Magadanskaya oblast	2297	1	1	0	1	0	1
50	Moskovskaya oblast	1342	1	0	1	0	0	1
51	Murmanskaya oblast	1607	0	0	0	0	0	0
52	Nizhegorodskaya oblast	2118	1	1	1	1	0	1
53	Novgorodskaya oblast	1836	0	0	0	0	0	0
54	Novosibirskaya oblast	2648	0	0	0	0	0	0

1	2	55	56	57	58	59	60	61
55	Omskaya oblast	2264	0	0	0	0	0	0
56	Orenburgskaya oblast	1732	1	0	0	0	0	1
57	Orlovskaya oblast	1929	1	0	0	0	0	1
58	Penzenskaya oblast	1451	0	0	0	0	0	0
59	Permskaya oblast	3494	1	0	1	0	0	1
60	Pskovskaya oblast	2172	1	1	0	0	0	1
61	Rostovskaya oblast	965	1	0	0	1	0	1
62	Ryazanskaya oblast	1560	1	1	0	0	0	1
63	Samarckaya oblast	1900	1	0	0	1	0	1
64	Saratovskaya oblast	1635	1	1	0	1	0	1
65	Sahajinskaya oblast	2478	1	0	0	1	1	1
66	Sverdlovskaya oblast	2704	1	0	1	1	0	1
67	Smolenskaya oblast	2334	1	0	0	0	0	1
68	Tambovskaya oblast	1400	0	0	0	0	0	0
69	Tverskaya oblast	2045	1	0	0	1	0	1
70	Tomskaya oblast	2700	1	0	0	0	0	1
71	Tulskaya oblast	1175	1	1	1	0	0	1
72	Tyumenskaya oblast	2937	0	0	0	0	0	0
73	Ulyanovskaya oblast	1494	1	1	1	1	0	1
74	Chelyabinskaya oblast	2280	1	0	0	0	0	1
75	Chitinskaya oblast	2383	0	0	0	0	0	0
76	Yaroslavskaya oblast	2741	1	0	0	0	0	1
77	Moscow	1977	0	0	0	1	1	1
78	St.-Peterburg	1542	0	1	1	0	0	1
79	Yevreyskaya oblast	3112	0	0	0	0	0	0