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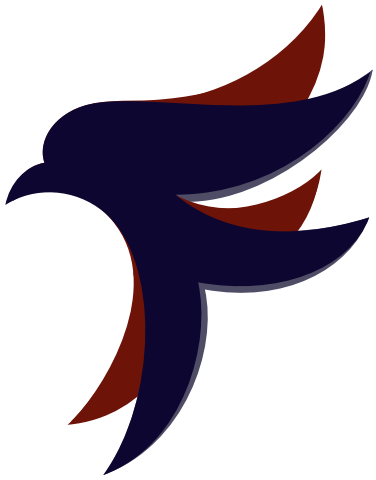

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Control, Development, Legitimacy and the 2024 Problem:

RUSSIA TWO YEARS BEFORE THE END OF PUTIN'S FOURTH TERM

András Tóth-Czifra

EXECUTIVE SUMMARY

Disclaimer:

This paper was finalized before the Russian Federation launched an attack on Ukraine on February 24, 2022. While the ongoing war and the extensive economic sanctions adopted against Russia will affect many of the circumstances discussed throughout the report – e.g. Russia's economic capacity to conduct capital investments, as well as political decision-making and the public mood – we believe that it still has value as an analysis of some of the key contradictions and tension points in Russian domestic politics at the moment when Vladimir Putin decided to start the war. These circumstances may also affect the Russian government's domestic position as the war's costs mount.

In 2020, the Russian Federation's legislature adopted constitutional reforms initiated by President Vladimir Putin. The reforms allowed Putin to "zero out" his presidential term count, and thus maintain ambiguity about his plans in 2024. They also set the stage for a radical revamp of governance in the country, with hope to kick-start Russia's economic growth before 2024 and to ensure that the system could withstand instability stemming from a potential succession crisis.

The reforms did bring substantial changes. However, as it is evident from major policies regarding capital investments, public administration, and the COVID-19 pandemic, the reforms left political decision-making top-heavy, poorly informed, short-sighted, and constrained, making it highly questionable whether they could achieve the goal of stimulating growth and stabilizing the regime's domestic position before 2024. It was amid this set of contradictions and ambiguities that Putin decided to start a war of submission against Ukraine in February 2022.

As of March 2022, it is too early to conclusively evaluate the consequences of the war on Russia's future, and having been finalized in early February, this report cannot attempt to do it. However, by undoing the foundations of economic and social development, the war seems to have set Russia on a course where the regime aims to resolve the contradictions and ambiguities detailed in this report by previously unseen levels of domestic repression and external aggression.

INTRODUCTION

Since 2018, analysis of Russian politics has focused on the "2024 problem": the question of whether President Vladimir Putin will run for a fifth term. The 2020 constitutional amendments, which "zeroed out" Putin's presidential term count, were supposed to put this question to rest by making the situation more ambiguous. But the amendments did not put these questions to rest. Two years after the amendments' adoption, the "2024 problem" still casts its shadow. COVID-19 policy responses are reportedly tweaked due to their effect on Putin's trust rating.[1] A Russian Federation-led intervention in Kazakhstan is examined from the angle of a potential "Kazakh-style succession" in Russia.[2]

The system appears brittle because neither the constitutional amendments nor anything that has happened since answered three questions that are vital for how power will be exercised and policies will be implemented in Russia until and beyond 2024. The first group of questions is about control: How will the federal government control the institutions and the resources that are essential to maintain political stability? What other areas, if any, will the authorities attempt to take under control, are they capable of doing so, and, if yes, who gets what?

The second group of questions is about development. From the National Projects to urban renewal and from social infrastructure to climate adaptation, there has been no shortage of grand development plans in Putin's fourth term. These policies are supposed to underpin political stability, making the choice in 2024 easier. But the National Projects had a sluggish start, and the pandemic seems to have rewritten development plans, all while legal insecurity has resulted in subpar levels of private investment.[3] Is it possible to spur development using federal funds? Is there enough political will to do so, given the ongoing competition for resources?

The third group of questions is about legitimacy. This connects the two problems discussed above. After the gradual hollowing out of the institutions of representative democracy, including elections, the Kremlin has attempted to invent a new source of legitimacy: a marriage of a growing "securocracy" and "techno-authoritarianism," where legitimacy is based on capabilities and institutional prowess. Will a critical mass of Russians accept this change?

With increasing frequency, these issues intersect in political developments affecting Russia's regions and their relations with the federal center: local and regional conservationist movements have learned from each other and changed their political calculus by forcing local issues, such as waste collection, environmental preservation, and local corruption onto the political agenda, and encouraging opposition upstarts.[4] Their successes—from preventing the construction of a landfill in the Arkhangelsk Region to Moscow deputies pushing for more transparent budgeting, along with the dogged network-building and campaigns of Alexey Navalny's now-shuttered organization—have made regional parliaments and city assemblies testing grounds for opposition movements and increased political plurality. Not even the rigged 2021 Duma election could negate this

1 "Trust fall. The Kremlin plans to reboot Russia's mass vaccination campaign, but there are worries this will bring down Putin's ratings," *Meduza*, November 16, 2021, https://meduza.io/en/feature/2021/11/16/trust-fall (accessed February 8, 2022).

2 "Kak sobytiya v Kazakhstane povliyayut na budushchee Rossii i SNG? Mneniya politologov (How the developments in Kazakhstan impact the future of Russia and the CIS? Political commentators weigh in)," *BBC Russian*, January 11, 2022, https://www.bbc.com/russian/features-59817255 (accessed February 8, 2022).

3 "Russia Resets Ambitious National Development Plan," *Moscow Times*, July 13, 2020, https://www.themoscowtimes.com/2020/07/13/russia-resets-ambitious-national-development-plan-a70857 (accessed February 8, 2022).

4 Toth-Czifra, Andras, "Russia's (cancelled) ecological referenda," *Riddle*, October 25, 2021 (accessed February 8, 2022).

Russian president Vladimir Putin at a polling station during the 2018 Russian presidential elections. (kremlin.ru)

development.[5]

The government's reforms foreshadow a division of powers and duties, in which the federal government, using an increasingly sophisticated machinery of data collection and control, oversees grand development projects and the electoral infrastructure; the security services control domestic politics and keep elites in check; governors manage local conflicts and initiatives by grassroots organizations; and major personnel decisions ultimately depend on the president. Meanwhile, the culmination of more than 20 years of political and fiscal centralization, prescribed by constitutional reform, is supposed to institutionalize and strengthen the power vertical, but this irks regional elites. Regional governments must invest more from less, as the federal government urges them to build infrastructure, but their budgets are tightened by ongoing fiscal centralization. The security elite talks more and more about the dangers of separatism.

Three major policy developments in 2020-21 offer lessons on the effect of the above changes on policymaking. The COVID-19 pandemic inserted prolonged uncertainty into the system by forcing the government to make and implement unpopular policies—lockdowns and vaccination passports—in an open-ended timeframe. Development policies—from the implementation of the National Projects adopted in 2018 to the National Development Goals defined two years later, and more recent novelties, such as the 2021 infrastructure loans, which are cheap budgetary loans that regions can put towards capital investments in the 2022-24 period—are key elements in kickstarting economic development that as of early 2022 the Kremlin seemed to expect to lead to political stability before 2024.[6] Ongoing public administration reform, which is based on the 2020 constitutional reform, is meant to prop up the system by strengthening the top-down power vertical to the detriment of representative institutions, thus removing potential institutional risks.

5 Popkova, Elizaveta and Andrey Semenov, "All politics is local: Urban electoral coalitions in Russia," *Riddle*, November 26, 2021, https://ridl.io/en/all-politics-is-local-urban-electoral-coalitions-in-russia/ (accessed February 8, 2022).

6 "Ukaz o natsional'nykh tselyakh razvitiya Rossii do 2030 goda (Decree on National Development Goals until 2030)," *President of Russia*, July 21, 2020, http://kremlin.ru/events/president/news/63728 (accessed February 8, 2022); and "Raspredeleny pervye 500 mlrd rubley na infrastrukturnye kredity dlya regionov (The first 500 billion rubles for infrastructure credits have been distributed among regions)," *Rossiyskaya Gazeta*, November 29, 2021, https://rg.ru/2021/11/29/raspredeleny-pervye-500-mlrd-rublej-na-infrastrukturnye-kredity-dlia-regionov.html (accessed February 8, 2022).

COVID-19 POLICIES

As in many other countries, the handling of the COVID-19 pandemic in Russia showcased the country's "pre-existing conditions"—its governance model problems. The pandemic hit Russia right in the middle of the 2020 constitutional reform. While it did not significantly delay these reforms, it did, arguably, shift attention from what was supposed to be a codification of the main tenets of "Putinism" to the government's failures in handling the pandemic. Twenty-two months later, as of February 8, 2022, Russia has registered more than a million excess deaths, vaccinated barely 53 percent of its population (7.2 percent received boosters), and, while the economy fell only by three percent in 2020, the 2021 recovery was lackluster at 4.4-4.5 percent, and concentrated in export-oriented sectors—mostly energy—as real wages remained low and inflation high.[7]

Of the above, however, only inflation seems to have registered as a political concern of federal significance seemingly because export controls and price ceilings have given federal institutions a quick and easy—if ineffective—way of providing a temporary solution (at the cost of potentially creating bigger problems down the line). After a short-lived experiment with lockdowns in March to June 2020, which proved too unpopular before the plebiscite on constitutional changes, the unpredictability of COVID-19 prompted a risk-averse Kremlin to outsource restrictions on movement and, later, other pandemic-related policies, in particular mandatory vaccination passports, to regional governments.[8]

Regions became testing grounds for these policies and a shield that the federal government could use to isolate itself from popular backlash.

Regions became testing grounds for these policies and a shield that the federal government could use to isolate itself from popular backlash. Since June 2020, regional governments nominally had control over pandemic-related lockdowns and restrictions. In 2021, instead of introducing mandatory vaccination across the country to reduce Russia's exceptionally high vaccine hesitancy, regions were nudged to introduce their own policies and adopt best practices from each other.

On the surface, this might look like a remarkable exercise in federalist policymaking. However, three important circumstances constrained regions' freedom to act. First, the federal government, while it abstained from mandating policy, did unofficially signal the desirable policy directions to governors. From the very early days of the pandemic, Moscow Mayor Sergey Sobyanin acted as an unofficial signaler, first as the head of a COVID working group and then as the deputy head of the government's pandemic task force. But Sobyanin's authority fell short

7 Source: official regional statistics collected at "Statistika vaktsinatsii ot koronavirusa" ("Coronavirus vaccination statistics"), *Gogov.ru* (accessed February 8, 2022); "Reshetnikov zayavil, chto rost VVP RF za 2021 god predvaritelno otsenivayut v 4,4-4,5% (Reshetnikov announced that the preliminary assessment of the GDP growth of the Russian Federation for 2021 is 4.4-4.5%)," *TASS*, January 14, 2022, https://tass.ru/ekonomika/13429527 (accessed February 8, 2022); and Inozemtsev, Vladislav, "Time to choose geopolitics or stability," *Riddle*, January 7, 2022 https://ridl.io/en/time-to-choose-geopolitics-or-stability/ (accessed February 8, 2022).

8 "Putin backs plan to ease lockdown despite rise in Covid-19 cases," *Financial Times*, May 6, 2020, https://www.ft.com/content/1fbc9e7a-7a57-4f8e-a333-07ead73085fc (accessed February 8, 2022).

of conclusively defining which policies were considered desirable and which were not.[9] When it became obvious that despite the outsourcing of political responsibility restrictions were starting to hurt Putin's ratings, he ordered governors to ease lockdowns, which were never seriously reinstated.

Second, the government established pandemic-related performance indicators (KPIs) to evaluate the work of regional governors as early as 2020 even as most other important KPIs have remained in place, providing regional governments with reduced space and freedom to try different policies.[10] In June 2021, the introduction of compulsory vaccination in several regions showed how governors were the weak links in the system. The responsibility of hitting vaccination targets was *de facto* pushed onto regional leaders in the form of centrally set policy goals, even as the federal government declined to make vaccination compulsory and vaccine supply chains were highly centralized.[11] Lacking the appropriate political tools, many governors then passed the responsibility onto employers, threatening them with fines should they fail to compel enough people to get vaccinated.[12] As a sudden surge in demand caused local shortages, governors had to leverage their connections in Moscow to request more vaccines.[13] The city of Moscow was accused of exacerbating the shortages by having privileged access to vaccines due to the political importance of the capital (although this claim is difficult to verify). Regions with a higher degree of "governability"—stronger budgets, or unique coercive mechanisms, such as the Belgorod Region or Chechnya—were able to set priorities or experiment with policies, e.g., offering bonuses to doctors who vaccinated more people.[14] Most regions were not able to set priorities or experiment. But more importantly, some of these policies were short-term, performative pushes. As of February 8, 2022, Chechnya, the first region that reported to have vaccinated 60 percent of its adult population in July 2021, has raised this figure to 75 percent. However, despite this statistic for the adult population, it achieved the lowest number of vaccinations for the entire regional population. Moscow's rate was less than 50 percent (see Table 1).[15]

Third, the measures followed almost two decades of relentless centralization of political power and fiscal revenues, which left most regions dependent on federal transfers and without the political muscle or the practical expertise to design and implement a substantive policy response on their own. Unlike the federal budget, most regions (notably excluding Moscow) do not have substantial fiscal reserves.[16] Given that roughly two-thirds of the expenditures of the

9 "It's all Sobyanin's fault. How Moscow's mayor tried to tackle the coronavirus but ended up at odds with Putin," *Meduza*, June 24, 2020, https://meduza.io/en/feature/2020/06/25/it-s-all-sobyanin-s-fault (accessed February 8, 2022).

10 "10 gubernatorov na grani uvolneniya za proval lokdauna (10 governors on the verge of dismissal due to the failure of lockdowns)," *URA*, October 27, 2021, https://ura.news/articles/1036283325 (accessed February 8, 2022).

11 "V Rossii ostalsyq odin region, gde ne vveli obyazatelnuyu vaktsinatsiyu. Karta (Only one Russian region has not introduced compulsory vaccination)," *RBK*, October 20, 2021, https://www.rbc.ru/society/20/10/2021/60d0a0c19a79476c7f137ce8 (accessed February 8, 2022); and "'Natsimbio' otpravil v regiony vse postavlennye proizvoditelyami vaktsiny ot COVID-19 (Natsimbio sent all COVID-19 vaccines produced by manufacturers to the regions)," *Rostec*, June 29, 2021, https://rostec.ru/news/natsimbio-otpravil-v-regiony-vse-postavlennye-proizvoditelyami-vaktsiny-ot-covid-19/ (accessed February 8, 2022).

12 Toth-Czifra, Andras, "Lessons in politics: the struggles of the Russian regions' vaccine rollout," *Institute of Modern Russia*, August 27, 2021, https://imrussia.org/en/analysis/3329-lessons-in-politics-the-struggles-of-the-russian-regions%E2%80%99-vaccine-rollout (accessed February 8, 2022).

13 "Zhiteli regionov pozhalovalis' na nekhvatku vaktsin ot COVID-19 (Regional residents complained about the unavailability of COVID-19 vaccines)," *Forbes*, June 26, 2021, https://www.forbes.ru/newsroom/obshchestvo/433285-zhiteli-regionov-pozhalovalis-na-nehvatku-vakcin-ot-covid-19 (accessed February 8, 2022).

14 "Belgorodskaya oblast' stala samym vaktsinirovannym regionom, obognav dazhe Moskvu (The Belgorod Region became the most vaccinated region, surpassing even Moscow)," *Meduza*, July 14, 2021, https://meduza.io/feature/2021/07/14/belgorodskaya-oblast-stala-samym-vaktsinirovannym-regionom-obognav-dazhe-moskvu (accessed February 8, 2022).

15 Source: official regional statistics collected at "Statistika vaktsinatsii ot koronavirusa," *Gogov.ru* (accessed February 8, 2022).

16 "V byudzhetakh rossiyskikh regionov obrazovalas' 'dyra' na 400 milliardov rublei (There is a 400 billion ruble 'hole' in the budgets of Russian regions)," *Finanz*, August 17, 2020, https://www.finanz.ru/novosti/aktsii/v-byudzhetakh-rossiyskikh-regionov-obrazovalas-dyra-na-400-milliardov-rubley-1029508775 (accessed February 8, 2022).

On December 8, 2021, the Franco-Russian Chamber of Commerce and Industry met with Minister of Finance of the Russian Federation Anton Siluanov and discussed energy and infrastructure projects. (Facebook / Минфин России)

average region goes to social services, housing, education, and healthcare, there was little room to cut expenses amid a deadly pandemic.[17] In 2020, the federal government increased transfers to regions by 800 billion rubles, mostly to support healthcare expenses and lost fiscal receipts.[18] However, the Kremlin distributed support in an opaque and unequal manner.[19] In 2021, budgetary grants were reduced again, as lockdowns ended and regional incomes grew. Anticipating a decline in infections, regions cut healthcare expenditures (by more than 17 percent on average, over the first seven months of the year) and increased spending on pre-election projects, such as fixing roads. This occurred only months before Russia's delta and omicron waves surged, which made it necessary to increase healthcare expenditures again.[20]

The above examples were in no way novelties in using regions as a testing ground for potentially unpopular or risky policies. Novel policies, such

17 Ablaev, Emil, "Monitoring sostoyaniya byudzhetnoy sfery, yanvar' – sentyabr' 2021 g. (Monitoring of the state of the budgetary sphere in January-December 2021)," Centr Makroekonomicheskogo Analiza I Kratkostrochnogo Prognozirovaniya, December 28, 2021, http://www.forecast.ru/_ARCHIVE/MON_BUDS/2021/BS22021.pdf (accessed February 8, 2022).

18 Audit Chamber of Russia, "Operativnyi doklad za 2020 god (Operative report for 2020)," February 24, 2021 https://ach.gov.ru/audit/oper-2020 (accessed February 8, 2022).

19 Zubarevich, Natalya "Kak koronavirusnyi krizis udaril po regionam (How the coronavirus crisis hurt the regions)," *Proekt*, August 17, 2020, https://web.archive.org/web/20210422042228/https://www.proekt.media/opinion/zubarevich-koronavirus-krizis-regiony/ (accessed February 8, 2022).

20 Single Portal of the Budgetary System of the Russian Federation: Execution of Budgets, http://budget.gov.ru/epbs/faces/page_home?_adf.ctrl-state=zxpk2tova_4&regionId=45 (accessed: February 8, 2022).

Photo of the Russian-made Sputnik Light vaccine. (gov.spb.ru)

as electronic passports, are often rolled out in "pilot regions" first.[21] In 2020-21, the Kremlin tested online voting, which proved to be one of the most controversial elements of the 2021 Duma election, gradually in a limited number of regions before deciding that it was safe to introduce across the country, which will happen in 2022.[22] In 2022, the State Duma shelved a bill that would have introduced QR-code-based COVID-19 passports. According to public opinion surveys, the bill was wildly unpopular, but its initiators argued that the actual reason was that the omicron variant, which proved significantly more infectious than previous variants, made vaccine passports a less effective way to control the spread of the virus.[23] This may be so, but in anticipation of the law, several regions had introduced such passes before, seemingly to test how unpopular they would be.[24]

Most regions play a subordinate role to the federal government in this system. During the pandemic, Moscow generally acted as a leader of policy development. Occasional exceptions included other rich regions, e.g., Tatarstan, which first introduced digital COVID permits, or Belgorod, whose money-for-vaccine program was later repeatedly praised as a good practice. Moscow, however, was considered a leader to such an extent that it was reportedly able to spur interest in vaccination in other cities

21 "V trekh regionakh Rossii planiruyut vvesti elektronnye pasporta (Electronic passports planned in three Russian regions), *Izvestiya*, October 18, 2021, https://iz.ru/1237062/2021-10-18/v-mintcifry-rasskazali-o-vvedenii-elektronnykh-pasportov-v-2022-godu (accessed: February 8, 2022).

22 Central Electoral Committee of the Russian Federation, http://cikrf.ru/analog/ediny-den-golosovaniya-2021/distantsionnoe-elektronnoe-golosovanie/ (accessed: February 8, 2022).

23 "Glava fraktsii ER ob'yasnil otkaz ot rassmotreniya zakona o QR-kodakh (The head of the United Russia group announced that the law on QR codes would not be discussed further)," *URA*, January 18, 2022, https://ura.news/news/1052527875 (accessed: February 8, 2022).

24"QR-kody otsenili v regionakh (QR codes were assessed in the regions)," *Kommersant*, December 13, 2021, https://www.kommersant.ru/doc/5128506 (accessed: February 8, 2022).

Building equipment at a newly completed interchange along Russia's M10 highway in January of 2021.(en.kremlin.ru)

when it mandated vaccine certificates in certain establishments in 2021, since people feared the same might soon happen elsewhere.[25]

The practice of outsourcing responsibility to regional governments and avoiding federal policies to shield Putin's approval rating looks like an extreme level of risk avoidance. Yet, it has not always reduced risks, and it may have created new ones.

For one, the widespread and bitter opposition to the abortive attempt to introduce vaccine passports showcased a key weakness of Russia's emerging digital authoritarianism: the ability of citizens to look at policies in a wider context. More than being just an inconvenience, reactions to the bill suggested that many Russians saw it as an intrusive and potentially dangerous data collection exercise, which in the future could be used against them in more malicious ways.[26] In the past, the scope of several repressive laws was gradually broadened once the repressive mechanism was established. For example, Russia's internet blacklist started as a child protection measure. In addition, there were several data leaks in 2021 that were publicized and/or used to intimidate people who opposed the government either openly (Navalny supporters) or tacitly (those who purchased fake vaccination certificates), making people wary of sharing personal data.[27]

Even as policy enforcement was outsourced, the fact that COVID-19 policies were clearly suggested or tolerated at the federal level allowed protesters and some politicians to express opposition not only to regional governments, but also to the federal government.

25 "Narod k privivke gotov (The people are ready to be inoculated)," *Novaya Gazeta*, June 26, 2021, https://novayagazeta.ru/articles/2021/06/26/narod-k-privivke-gotov (accessed February 8, 2022).

26 Morris, Jeremy, "Russia's Covid civil disobedience," *Postsocialism*, December 7, 2021, https://postsocialism.org/2021/12/07/russias-covid-civil-disobedience/ (accessed February 8, 2022).

27 "S fal'shivoi vaktsinatsiei vyshel prokol (Fake vaccinations fell flat)," *Kommersant*, November 12, 2021, https://www.kommersant.ru/doc/5066303 (accessed February 8, 2022).

Poster against the United Russia political party, taken before the December, 2021 elections. (Flickr/SebastianBerlin)

Most "anti-QR" protesters targeted regional governments, but some publicly called on Putin to intervene.[28] In some cases, regional opposition organizations tried to ride the wave of indignation as well, for instance, Viktor Vorobyov, a firebrand communist in the Komi Republic.[29]

The pandemic showcased how Russia's top-heavy federalism was ill-equipped to deal with an unfamiliar external shock. The government was ultimately effective in mitigating or delaying immediate political risks. But this came with a price tag expressed in weak policies and unclear political risks—stemming from higher mortality, falling standards of living, and falling trust in multiple levels of government—down the line.

28 "Rossiiskie regiony protestuyut iz-za QR-kodov i vaktsinatsii. Otkuda v Rossii stol'ko skeptikov i pochemu ikh pochti ne udaetsya pereubedit'? (Russian regions are protesting against QR codes and vaccination. How come there are so many skeptics in Russia and why is it almost impossible to win them over?)," *Meduza*, November 17, 2021 (accessed February 8, 2022).

29 "Gossovet Komi prinyal byudzhet i odobril zakon o QR-kodakh. Tri yarkie tsitaty iz diskussii deputatov (Komi's State Council adopted a budget and approved a law on QR codes. Three strong quotes from the debate of the deputies)," *7x7*, November 24, 2021, https://7x7-journal.ru/articles/2021/11/24/deputaty-komi-prinyali-byudzhet-i-odobrili-zakon-o-qr-kodah-tri-samyh-yarkih-citaty-s-diskussii-kprf-i-edinoj-rossii (accessed February 8, 2022).

DEVELOPMENT POLICIES

The pandemic also showcased the impact of the Russian government's fiscal priorities. Since the annexation of Crimea in 2014, two forces have overwhelmingly driven these priorities: an austere budgetary policy to make Russia more resilient to external shocks and a commitment to spend more on the military and security agencies. With 2024 approaching, these two priorities are increasingly in conflict with a third priority: kickstarting economic growth to raise people's incomes before the next major election.

Post-2014 sanctions and an international oil glut prompted the Kremlin to hedge against future risks by making Russia's budget significantly more resilient against external shocks. This attempt succeeded, as the correlation between the RUB/USD exchange rate and global oil prices significantly weakened, and the National Wealth Fund, which accumulates surplus energy revenue, grew to $190 billion—all while the weight of USD holdings and foreign investors in Russia's government debt fell.[30] The Russian Central Bank accumulated reserves worth $630 billion.[31]

The cost of austerity was economic stagnation. Money used to build the sanction-proofing war chest could not be spent on infrastructure development or Russians' incomes to boost domestic consumption. Domestic development schemes have so far failed to make a serious impact. The National Projects—13 grand development initiatives launched in 2018 to develop infrastructure over six years—rely on federal spending of 13.2 trillion rubles, or 51.3 percent, of originally planned investments.[32] In the first year, however, only 91.5 percent of federal funds had been allocated in 2019, with 73.4 and 66.3 percent of planned funds allocated for the "Digital Economy" and "Ecology" projects, respectively. This changed after the appointment of Mikhail Mishustin as prime minister in January 2020. In 2020-21, between 97 and 98 percent of federal budgetary allocations were paid[33] (See Table 2).

Post-2014 sanctions and an international oil glut prompted the Kremlin to hedge against future risks by making Russia's budget significantly more resilient against external shocks.

30 "Prices of oil rises sharply, but ruble largely unaffected," *bne Intellinews*, October 1, 2021, https://intellinews.com/prices-of-oil-rises-sharply-but-ruble-largely-unaffected-222375/ (accessed: February 8, 2022); and Russia's Ministry of Finance, https://minfin.gov.ru/ru/perfomance/nationalwealthfund/statistics/?id_65=27068-obem_fonda_natsionalnogo_blagosostoyaniya (accessed: February 8, 2022).

31 Central Bank of Russia, https://www.cbr.ru/hd_base/mrrf/mrrf_7d/ (accessed: February 8, 2022).

32 "Ukaz Prezidenta Rossiiskoi Federatsii ot 7 maza 2018 g. N 204 (Presidential decree from May 7, 2018, N 204)," *Rossiiskaya Gazeta*, May 9, 2018, https://rg.ru/2018/05/08/president-ukaz204-site-dok.html (accessed February 8, 2022).

33 "Minfin: raskhody byudzheta RF na natsproekty na 1 yanvarya sostavili 2,549 trln rub (Finance Ministry: the expenses of the budget of the Russian Federation on National Projects stood at 2.549 tn rubles as of January 1)," *TASS*, January 18, 2022, https://tass.ru/ekonomika/13453995 (accessed February 8, 2022); and Audit Chamber of Russia, "Operativnyi doklad ob ispolnenii federalnogo byudzheta i byudzhetov gosudarstvennykh vnebyudzhetnykh fondov (Operative report about the implementation of the federal budget and the budgets of state and extra-budgetary funds)," 2021, https://ach.gov.ru/upload/iblock/e37/e371835371389756c2d319de62f0bd12.pdf (accessed February 8, 2022).

Governor of the Central Bank of Russia, Elvira Nabiullina, speaking at the 2021 Annual Meetings of the International Monetary Fund. (Flickr/International Monetary Fund)

What did not change was the other structural problem. Russia's investment rate hovered just over 20 percent of gross domestic product (GDP): in 2020, according to Rosstat, Russia's state statistical agency, it was 21.8 percent, although the World Bank assessed it slightly higher at 23.4 percent[34] (See Table 3). This is far from the emerging market norm of between 25 and 30, which makes it questionable whether the National Projects can generate the 7.5 trillion rubles of private sector investment envisaged by the government.

In July 2020, the adoption of "National Development Goals" shook up the National Projects. These refocused Russia's development policy on social infrastructure and living standards, all while resetting their timeframe from 2024 to 2030.[35] The government also announced the consolidation of state development institutions—a total of 40—to make their work more effective. Some will be eliminated entirely.[36]

The government is refocusing its urban renewal development policies, too. This is not a new idea. Russian experts have been advocating such changes for more than a decade. According to recent data by Rosstat, more than 74 percent of Russia's population lives in towns or cities.[37]

34 Rosstat, 2021. https://rosstat.gov.ru/storage/mediabank/SRseY8Jp/inv_osn2020.pdf (accessed February 8, 2022); and World Bank, https://tcdata360.worldbank.org/indicators/inv.all.pct?country=RUS&indicator=345&countries=BRA&viz=line_chart&years=1980,2026 (accessed February 8, 2022).

35 President of Russia, "Executive Order on Russia's national development goals through 2030", July 21, 2020, http://en.kremlin.ru/events/president/news/63728 (accessed February 8, 2022). 2030 is coincidentally when Putin's fifth presidential term would end, should he run and win in 2024.

36 Government of Russia, "Operativnoe soveshchanie s vitse-prem'erami (Operative meeting with deputy prime ministers)," November 23, 2020, http://government.ru/news/40921/ (accessed February 8, 2022).

37 Rosstat, 2021. https://rosstat.gov.ru/storage/mediabank/Bul_chislen_nasel-pv_01-01-2021.pdf (accessed February 8, 2022).

Protests calling for the prison release of Alexei Navalny in early 2021. (Flickr / Sergey Belogrud)

Urbanization in recent years has mostly affected Moscow and St. Petersburg positively (and to a lesser extent, Krasnodar, the capital of the Krasnodar Territory, which saw significant infrastructure investments before the 2014 Sochi Winter Olympics and whose milder climate makes it an attractive holiday and retirement location).[38] However, political circumstances now align with these development directions. The evolution of protest movements—from the 2020 Khabarovsk protests to the 2021 pro-Navalny protests and several local protest movements—and votes in between showed that general dissatisfaction in mid-sized cities presents federal authorities with greater exposure.[39] In Moscow, throwing money at the problem—significant development projects with a price tag of over 200 billion rubles after the 2011-12 protests—helped to make life in the city more comfortable for residents and while Muscovites did take to the streets several times afterwards, the city saw no protests comparable to the 2011-12 protest movement until 2019.[40]

The federal government aims to spend 891 billion rubles on the National Project "Housing and Urban Space" by 2030.[41] A new development vehicle dubbed "infrastructure loans" offers 500 billion rubles of cheap 15-year budgetary loans that regions will spend on various development

38 "The economy of million-plus cities: the right to develop," *Strelka KB*, 2019, https://media.strelka-kb.com/gdpcities-en (accessed February 8, 2022).

39 Toth-Czifra, Andras, "What pro-Navalny protests tell us about Russian regions," Institute of Modern Russia, March 3, 2021, https://imrussia.org/en/analysis/3242-what-pro-navalny-protests-tell-us-about-russian-regions (accessed February 8, 2022).

40 Komin, Mikhail, "Stolichnaya lovushka: chego stoit boyatsyq vlasti posle pobedy Sergeya Sobyanina na vyborakh? (Metropolitan trap: what should the authorities be afraid of after Sergey Sobyanin's victory in the election?)," *Republic*, August 14, 2018, https://republic.ru/posts/91805 (accessed February 8, 2022).

41 Natsionalnyeproekty.rf https://xn--80aapampemcchfmo7a3c9ehj.xn--p1ai/projects/zhile-i-gorodskaya-sreda (accessed February 8, 2022).

projects in 2022-24, with urban renewal projects featuring prominently among them (e.g., the development of a subway network in Chelyabinsk, a housing development in Yakutsk, and urban renovations in Nizhny Novgorod, some of the first projects that were awarded these infrastructure loans).[42]

Regions with sufficient resources are expected to participate in the financing of cross-regional projects. Conclusions adopted by the Federation Council, the upper house of Russia's parliament, in 2021 explicitly set out to prevent the "excessive concentration of development" as a goal.[43] While regions will likely be able to write off debt proportional to the additional tax revenues that they generate from infrastructure projects, it is doubtful whether this incentive will change the calculations of private investors.

The unequal distribution of investment across the country is quite significant: In 2020, just 12 regions accounted for more than 50 percent of total investments; these included Russia's capital regions and its most important oil-producing regions.[44] These regions already account for an overwhelming part of Russia's economic output. In 2021, according to Russia's Ministry of Economic Development, 12 regions generated more than 56 percent of the country's GDP, a number that is expected to grow to 68 percent by 2024.[45] The overlap between the two groups is remarkable: nine regions are on both lists.

Following two decades of fiscal centralization, most regional budgets depend on federal grants for spending on vital social services.

This means that while investment is concentrated in export-oriented industries and regions, investment elsewhere will rely on the federal government redistributing this rent. Following two decades of fiscal centralization, most regional budgets depend on federal grants for spending on vital social services. Supporting significant investment programs, especially with the continued uncertainty of the pandemic, depends on additional transfers from the federal budget. In September 2021, Far Eastern governors complained that they lacked funds to invest because their budget is barely enough to cover their regions' regular expenses. This situation developed in spite of years of ostensible focus on Far Eastern development, which was supposed to strengthen the economic base of these regions.[46]

This circumstance isn't likely to change. In budgetary plans for 2022-24, the government is expected to allocate only 957 billion rubles in federal grants to regions. This represents a falling proportion of total budgetary transfers, which will amount to 3.2 trillion rubles, compared

42 "Tret' infrastrukturnykh kreditov iz byudzheta poluchat pyat' regionov (Five regions will receive one third of infrastructure credits from the budget)," *RBK*, July 21, 2021, https://www.rbc.ru/economics/21/07/2021/60f6d7459a794705f08ae65d (accessed February 8, 2022).

43 Federation Council of the Russian Federation, "Aktualnye voprosy koordinatsii sotsial'no-ekonomicheskogo razvitiya munitsipal'nykh obrazovanii v ramkakh aglomeratsii (Timely questions about the coordination of the socio-economic development of municipalities in the framework of agglomerations)," May 27, 2021, http://council.gov.ru/activity/activities/parliamentary/127220/ (accessed February 8, 2022).

44 Rosstat, 2021, https://rosstat.gov.ru/folder/210/document/13238 (accessed February 8, 2022).

45"Prognoz uzhe ne tam : Minek nazval regiony s naibol'shim rostom ekonomiki (The forecast has changed: the Ministry of Economy named the regions with the highest economic growth)," *Ekspert*, October 5, 2021, https://www.raexpert.ru/researches/publications/iz_oct05_2021/ (accessed February 8, 2022).

46 "Glava Kamchatki zayavil, chto regionam DFO dokhodov khvataet tol'ko na vyzhivanie (The head of Kamchatka said that regions in the Far-Eastern Federal District barely have enough funds to survive)," *Interfax*, September 2, 2021, https://www.interfax.ru/russia/788170 (accessed February 8, 2022).

Russian Prime Minister, Mikhail Mishustin at a November, 2020 meeting focused on optimizing development institutions. (government.ru)

to previous years[47] (See Table 4). Grants are the kind of budgetary transfer that regions can spend as they wish, as opposed to subsidies and subventions, which come with strings attached. Moreover, the reallocation of income from metallurgy revenues in favor of the federal budget in 2021 further siphons away tax revenues from several regions because metallurgy provides more than 20 percent of tax receipts in 16 regions.[48] Development projects will for the foreseeable future depend on how federal support is allocated or how much the government is able to nudge federal elites to invest in their own regions.

Development projects, if they go ahead, will go hand-in-hand with a significant centralization of power from municipalities to and from regions to the federal government (discussed in the next section). Instead of allowing cities or regions to increase their fiscal space to determine and finance their own development projects, the federal government will vet all project proposals. It will, according to a 2021 law on public administration, also participate in the appointment of key regional officials who will oversee development projects.[49] This will likely happen under the supervision of deputy prime ministers who, also in 2021, were assigned a federal district each, in which to coordinate development projects.[50]

The state's strong role in investment poses a dilemma. As long as the importance of federal money in stimulating investment is so large, it is unlikely that the Russian government can withstand the costs of sustained warfare and external sanctions—which would have a negative

47 Finance Ministry of Russia, https://minfin.gov.ru/ru/perfomance/regions/mb/mb2022_2024/ (accessed February 8, 2022).

48 "Nakroyutsya poshlinami: chem obernutsya novye poshliny na eksport metallov (Covered in duties: what does the new duties on the export of metals bring)," *Gazeta.ru*, July 26, 2021, https://www.gazeta.ru/business/2021/07/26/13801208.shtml (accessed February 8, 2022); and "Minfin opisal skhemu povysheniya nalogov dlya Metallurgov (The Finance Ministry approved plans to raise taxes for metallurgical companies)," *RBK,* September 21, 2021, https://www.rbc.ru/business/21/09/2021/6149ad339a7947efd7a9f128 (accessed February 8, 2022).

49 "Federalnyi zakon ot 21 dekabrya 2021 g. N 414-F3 (Federal law of December 21, 2021 g. N 414-F3)," *Rossiyskaya Gazeta*, December 27, 2021, https://rg.ru/2021/12/27/vlast-dok.html (accessed February 8, 2022).

50 "Mishustin naznachil kuratorov federal'nykh okrugov (Mishustin appointed the curators of federal districts)," *RBK*, July 19, 2021, https://www.rbc.ru/politics/19/07/2021/60dca8979a7947079ed59ffb (accessed February 8, 2022).

impact on reserves and the domestic investment climate—plus a significant investment push before 2024. However, given the short-term focus of the political establishment on the "2024 problem," development projects would arguably have to make a major difference before 2024. As of February 2022, it seems that the Kremlin has not been convinced about this, and thus this dilemma was not able to deter it from conducting war in Ukraine.

Another force that may curb the impact of public investment policies is the system's increasing reliance on security services, which is also related to the "2024 problem." Russia's low investment rate has several reasons, such as a culture of corruption, legal uncertainty, and sagging domestic demand. However, a major factor is the weak rule of law and the considerable likelihood of expropriation. The Federal Security Service (FSB), including its powerful Economic Security Service, seems to be increasingly present in domestic politics and business, beyond its usual role of cracking down on dissident movements.[51] The past years have seen several high-profile law enforcement cases that appeared to settle business disputes or serve as a demonstration of power. For example, the 2014 arrest of Vladimir Yevtushenkov allowed the takeover of his oil company, Bashneft, by the state-owned Rosneft.[52] In 2016, Alexey Ulyukayev, a sitting minister of economy, was arrested following what looked like a bribery set-up by Rosneft head Igor Sechin.[53] In 2018, Ziya Magomedov, the owner of the Summa Group investment company, was arrested after a dispute with the state-owned Transneft over a port on the Black Sea.[54] In 2019, Mikhail Abyzov, a former government minister and businessman, was arrested for unclear reasons.[55] There are many more cases that did not make the news. According to a *Novaya Gazeta* investigation, in 2010-2019, almost 4,000 cases were initiated against private firms under Article 201 of the Criminal Code ("Creation of a criminal organization and participation therein"), an article that allows "flexible reading" and can be abused to intimidate business or seize property.[56]

This situation seems unlikely to change soon. Russia's federal budget has allocated a growing sum of money to national security and law enforcement in 2022-24. Allocations in the 2022 budget are 17.4 percent higher than in 2021 at 2.8 trillion rubles, and, by 2024, this is expected to grow to over 3 trillion.[57] This speaks of a heavier reliance on the repressive apparatus and thus fewer checks on their activities.

51 For more on the activities and the influence of the Economic Crimes Service, see, "Sluzhba ekonomicheskoi bezopasnosti (chetvertaya sluzhba) (Economic Security Service (fourth service))," *Dossier Center*, https://fsb.dossier.center/seb/ (accessed February 8, 2022); Galeotti, Mark "No Country for Old Spooks," *Moscow Times*, October 27, 2020, https://www.themoscowtimes.com/2020/10/27/no-country-for-old-spooks-reshuffle-at-the-top-of-the-fsb-will-set-the-tone-for-remainder-of-putin-era-a71872 (accessed February 8, 2022); "The Rise and Fall of an FSB-run Money Laundering Empire," *Moscow Times*, August 3, 2019, https://www.themoscowtimes.com/2019/08/03/the-rise-and-fall-of-an-fsb-run-money-laundering-empire-a67226 (accessed February 8, 2022); and "Putin naznachil pervogo zamestitelya direktora FSB (Putin appointed the first deputy director of the FSB)," *RBK*, March 4, 2021, https://www.rbc.ru/politics/04/03/2021/603fff959a7947e7196b264c (accessed February 8, 2022).

52 "Russian oligarch Yevtushenkov cleared of charges in Bashneft case," *Moscow Times*, January 14, 2016, https://www.themoscowtimes.com/2016/01/14/russian-oligarch-yevtushenkov-cleared-of-charges-in-bashneft-case-a51452 (accessed February 8, 2022).

53 "Russian ex-minister Ulyukayev jailed for eight years over $2 million bribe," *Reuters*, December 15, 2017, https://www.reuters.com/article/us-russia-ulyukayev-verdict/russian-ex-minister-ulyukayev-jailed-for-eight-years-over-2-million-bribe-idUSKBN1E90SN (accessed February 8, 2022).

54 "Russia's grip on biggest port operator tightens with new chairman," *Reuters*, April 13, 2018, https://www.reuters.com/article/russia-ncsp-chairman/update-1-russias-grip-on-biggest-port-operator-tightens-with-new-chairman-idUSL8N1RQ3M7 (accessed February 8, 2022).

55 "Ex-minister's Pretrial Detention Extended Again In Russian Embezzlement Case," *RFE/RL*, December 22, 2020, https://www.rferl.org/a/russia-minister-ablyzov-trial-embezzlement-detention-extended/31014044.html (accessed February 8, 2022).

56 "Risk – ugolovnoe delo (Risk: criminal case)," *Novaya Gazeta*, March 31, 2021, https://novayagazeta.ru/articles/2021/03/29/risk-ugolovnoe-delo (accessed February 8, 2022).

57 "Bolee 8,7 trln rublei vydelyat na natsbezopasnost' v 2022-2024 godakh v Rossii (More than 8,7 tn rubles will be spend on national security in 2022-24)," *TASS*, September 21, 2021, https://tass.ru/ekonomika/12466533 (accessed February 8, 2022).

PUBLIC ADMINISTRATION REFORM

In recent years, Russia's political and security establishment has focused on separatism as a major security issue. The 2020 constitutional reform made it illegal to question Russia's territorial integrity. Security officials, such as Nikolay Patrushev, the influential secretary of the Security Council, implied that foreign-funded movements supported separatism in the country.[58]

That belief could be an excuse to create a pretext to crackdown on various forms of dissent, but it could also reflect a genuine fear of regions coming loose in the event of a messy succession or transition. After all, Russia's current elite came of age politically in the 1990s when a messy transition following the Gorbachev era resulted in a "parade of sovereignties," which threatened the disintegration of not only the Soviet Union, but also the Russian Federation. Similarly, during the final years of Boris Yeltsin's presidency, in the wake of the 1998 financial meltdown, several regions openly defied Moscow. One of the major policy goals of Putin's two decades in power has been to heal the regions. It is remarkable that despite the apparent successes in this field, Russia's leaders are still fearful.

The latest wave of the centralization of political and fiscal power started in 2014 and accelerated after 2018. After 2014, municipal administration reforms made it possible for cities to scrap direct mayoral elections. Eight years later, only seven cities—Abakan, Anadyr, Novosibirsk, Tomsk, Khabarovsk, Ulan-Ude, and Yakutsk—still elect their mayors in direct elections (Moscow and St. Petersburg are regions unto themselves).[59] Arguably, the measure intended to prevent the emergence of strong personalities in increasingly opposition-minded cities, such as Yekaterinburg's colorful former mayor, Yevgeny Roizman (who resigned in 2018 in protest against his city scrapping direct mayoral votes). Following a near-miss debt crisis in 2015-16, the Finance Ministry tightened financial oversight of regions.[60] It also gradually replaced high-interest bank loans that made up more than 40 percent of regional debt in 2013, with low-interest budgetary loans.[61] Regions, however, had to pay proportionally more into the federal budget than before: Since 2017, three, instead of two, percent of a 20 percent tax on corporate profits has been

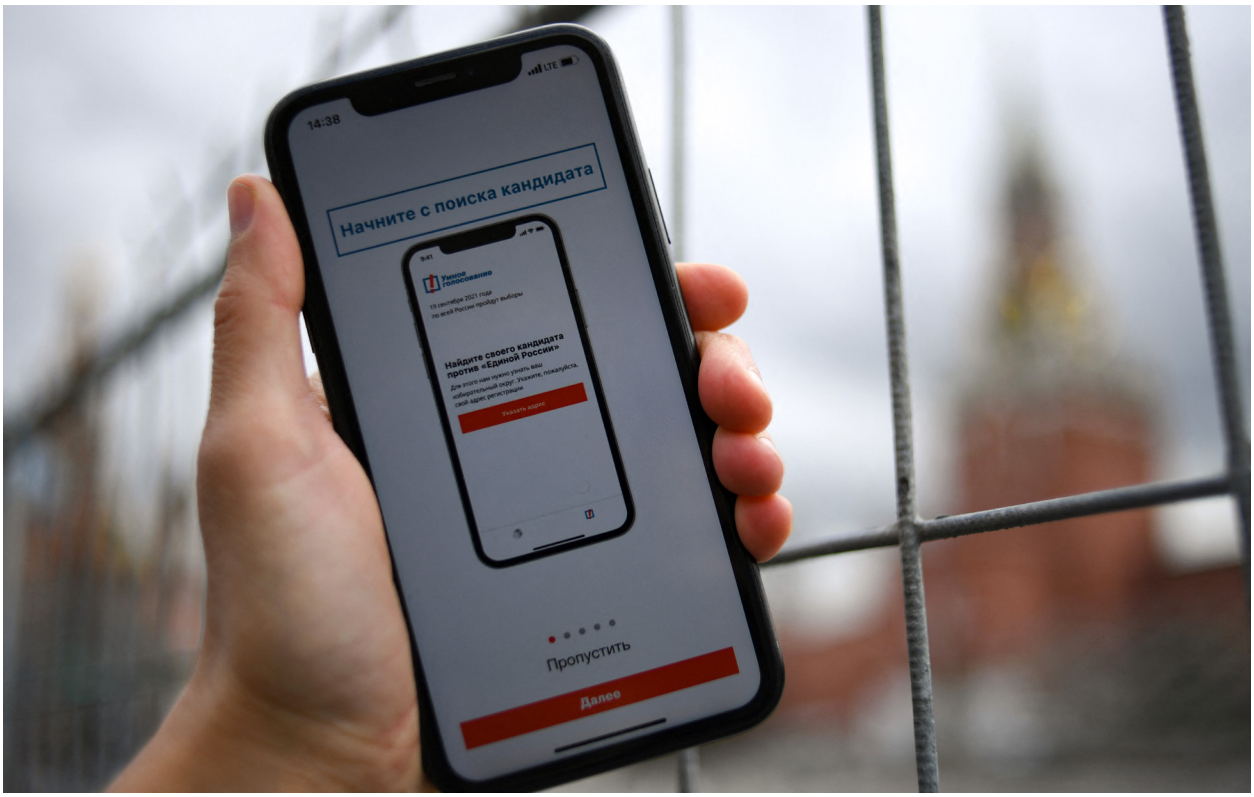
In recent years, Russia's political and security establishment has focused on separatism as a major security issue.

58 "Kuklovodstvo k deistviyu. Nikolay Patrushev – o metodakh 'tsvetnykh revolyutsii' (Puppetry to action. Nikolay Patrushev about the methods of 'color revolutions')," *Argumenty i fakty*, June 10, 2020, https://aif.ru/society/safety/kuklovodstvo_k_deystviyu_nikolay_patrushev_o_metodah_cvetnyh_revolyuciy (accessed February 8, 2022).

59 "Goroda pryamogo deistviya (Cities of direct action)," *Kommersant*, October 11, 2019, https://www.kommersant.ru/doc/4120109 (accessed February 8, 2022).

60 "Russia's Finance Ministry Takes Control of the Country's Most Indebted Regions," *Moscow Times*, April 17, 2019, https://www.themoscowtimes.com/2019/04/17/russias-finance-ministry-takes-control-of-the-countrys-most-indebted-regions-a65278 (accessed February 8, 2022).

61 Treasury of the Russian Federation, https://roskazna.gov.ru/finansovye-operacii/razmeshchenie-sredstv-edinogo-scheta-federalnogo-byudzheta/byudzhetnye-kredity-subektam-rossiyskoy-federatsii-i-munitsipalnym-obrazovaniyam/ (accessed February 8, 2022).



A smartphone screen displaying the "Smart Voting" app, aimed to help vote out candidates from the ruling United Russia party in the 2021 elections. (Flickr / Epjt Tours)

paid to the federal budget, continuing an already significant fiscal centralization.[62]

Since 2016, cadre rotation in the regions gathered speed, reflecting the Kremlin's desire to replace local elites with a new generation of technocrats, often with little-or-no local roots (commonly referred to as "Varangians") to make regions more easily manageable from the center. These replacements often take place shortly before an election in an attempt to prevent popular backlash against an unpopular incumbent. In 2012-16, 31 new governors were appointed in Russia's 83 regions (plus the occupied Crimea and Sevastopol); in 2016-20, the number reached 55.[63] This pattern continued after the 2021 Duma election, albeit at a reduced speed.

In 2018, when a mixture of anger over an unpopular pension reform and long-simmering local grievances led to four surprising electoral upsets in gubernatorial elections, the Kremlin doubled down on this rotation policy. As in other cases, the principles were first asserted by coercion and later codified. Less than four years later, only one of the four regions—the Republic of Khakassia—still has an opposition governor. In the Maritime Territory, the Central Electoral Committee invalidated the vote immediately.[64] In the Vladimir Region, Vladimir Sipyagin, a politician of the Liberal Democratic

62 Tax Service of the Russian Federation, https://www.nalog.gov.ru/rn77/taxation/taxes/profitul/ (accessed February 8, 2022).

63 "Gubernatory novoi volny (2017-2020) (The governors of the new wave (2017-2020)," *TsPK*, September 18, 2020, https://cpkr.ru/issledovaniya/gubernatory-novoy-volny/gubernatory-novoy-volny-2017-2020/ (accessed February 8, 2022).

64 "Samye strannye vybory 2018 goda: kommunist Ishchenko protiv edinorossa Tarasenko v Primor'e (The strangest election of 2018: the communist Ishchenko against United Russia's Tarasenko in the Maritime Region)," *Meduza*, September 17, 2018, https://meduza.io/feature/2018/09/17/samye-strannye-vybory-2018-goda-kommunist-ischenko-protiv-edinorossa-tarasenko-v-primorie-glavnoe (accessed February 8, 2022).

Party, was allowed to take office, but faced a hostile environment throughout his tenure. In 2021, he was convinced to take up a mandate that he won in the State Duma (and thus resign as governor), to be replaced by a United Russia loyalist.[65] In what became the most famous case, the Khabarovsk Region's new governor, Sergey Furgal, was arrested and taken to Moscow in 2020, prompting months of massive protests.

The 2018 upsets were possible because disgruntled voters unexpectedly united behind a single non-incumbent candidate to express their frustration with an increasingly distant federal government. Alexey Navalny's "Smart Voting" initiative aimed to replicate this effect in every majoritarian election—governors, regional parliaments, city councils, some mayors, and single-mandate districts in the Duma—by providing voters information and coordination. Even though the authorities already had control over election infrastructure and could effectively bar people from running, "Smart Voting" exploited the authorities' desire to keep the regime's electoral façade. It also exploited the fact that Russia's electoral infrastructure is not uniformly tightly controlled across the country, as it depends on United Russia's grip on regional parliaments and on the strength of local civil society. A weaker United Russia control and stronger civil society can raise the risks of open rigging. Navalny's team also correctly assumed that at least some office holders who were swept into office by popular indignation would take their jobs seriously. Two such examples were Sergey Furgal and Sardana Avksentieva, who was elected mayor of Yakutsk in 2018.[66]

Even though the authorities already had control over election infrastructure and could effectively bar people from running, "Smart Voting" exploited the authorities' desire to keep the regime's electoral façade.

The 2019 and 2020 regional and local elections were more tightly controlled. The 2020 votes—the first where multi-day voting was possible, officially due to the COVID pandemic—produced suspiciously strong results for the governing party. Table 5 shows a comparison between turnout levels and United Russia's vote share in regional elections in 2018, 2019, and 2020. Turnout is generally lower, which is expected for off-year regional elections, but, in 2020, United Russia's results were remarkably better than in previous years, even though the party's overall popularity did not change and none of the 2020 elections were held in so-called "electoral sultanates" (regions where the ruling party usually gets a sweeping majority at a high turnout).

This was not enough, however, as candidates supported by Navalny made inroads in several cities, most notably in Moscow, Novosibirsk, and Tomsk.[67] Instead of addressing these issues separately, the Kremlin opted for a two-pronged

65 "Gubernator Vladimirskoi oblasti Sipyagin ushel v Gosdumu (The governor of the Vladimir Region, Sipyagin left for the State Duma)," *RBK*, September 29, 2021, https://www.rbc.ru/politics/29/09/2021/614b3e3b9a794777bea69ed6 (accessed February 8, 2022).

66 "Mer Yakutska Sardana Avksentieva ob'yavila o dosrochnom ukhode v otstavku. Chem ona izvestna (The mayor of Yakutsk, Sardana Avksentieva announced her resignation ahead of time. What made her famous?)," *BBC* Russian, January 11, 2021.

67 "Tomsk – edinstvennyi gorod Rossii, v kotorom pobedilo 'Umnoe golosovanie'. Eto proizoshlo v 2020 godu (Tomsk is the only Russian city, in which Smart Voting was victorious. This happened in 2020)," *Meduza*, September 16, 2021, https://meduza.io/feature/2021/09/16/tomsk-edinstvennyy-gorod-rossii-v-kotorom-pobedilo-umnoe-golosovanie-eto-proizoshlo-v-2020-godu; and "Na vyborakh v Mosgordumu pobedili Navalny i ego 'umnoe golosovanie' (Navalny and his smart voting won the elections to the Moscow City Duma)," *Vedomosti*, September 10, 2019, https://www.vedomosti.ru/politics/articles/2019/09/09/810870-viborah-mosgordumu (accessed February 8, 2022).

President of the Republic of Tatarstan Rustam Minnikhanov met with Recep Tayyip Erdogan in June, 2021. (tatartrade.com)

approach. An opaque online voting system was introduced in six regions and the occupied Sevastopol in 2021. The government then proposed extending it to the whole country.[68] A public administration reform started in 2021 and as of February 2022, is still ongoing. Notably, the reform will not scrap gubernatorial elections altogether, but it will provide the Kremlin with an effective veto over the decisions of voters and lessen their potential impact on local and regional institutions. This reform will also essentially legalize the ways in which the federal government had dealt with "renegade" regions.

The reform consists of two laws. The first one, which was adopted in December 2021, reconfigures relations between the federal government and regional elites in favor of federal institutions.[69] The second one, which as of February 2022 is still under debate in the Duma, will do the same between municipalities and regions. It will also eliminate more than 18,000 administratively self-standing municipalities and their representative organs, creating a truly integrated power vertical, or, as the 2020 constitutional reform called it, "unified system of public power."[70]

Both laws are consequential, even though only the first one caused obvious angst, as it obliged regions to stop calling their heads "president."

68 "Internet – za 'Edinuyu Rossiyu' (The internet supports United Russia)," *Novaya Gazeta*, September 22, 2021, https://novayagazeta.ru/articles/2021/09/21/internet-za-edinuiu-rossiiu (accessed February 8, 2022).

69 President of Russia, "Podpisan zakon o edinoi sisteme publichnoi vlasty v sub'ektakh Rossii (The law on the united system of public power in the subjects of Russia has been signed)," December 21, 2021, http://kremlin.ru/acts/news/67399 (accessed February 8, 2022).

70 State Duma of the Russian Federation, "Zakonoproekt No. 40361-B (Bill No. 40361-B)," https://sozd.duma.gov.ru/bill/40361-8 (accessed February 8, 2022).

Merging small municipalities into bigger ones is also intended to have a chilling effect, and not only because thousands of local authorities will be abolished.

Only the Republic of Tatarstan, a rich region with a *de facto* special status, does so now.[71] It also initially seemed to upset a budgetary settlement between the regions in the so-called "Tyumen nesting dolls.[72]" This provision was swiftly removed as the nesting dolls found formidable lobbyists.[73] Apart from Tatarstan, the parliaments of a handful of other regions as well as the "Zemsky S'ezd," a forum of municipal deputies, opposed other, arguably more transformative, parts of the law.[74] In the future, the president will have the right to dismiss governors without giving any justification other than "loss of trust," making it easier to get rid of governors considered disloyal. Dismissed governors cannot be appointed to govern any other region for five years. The federal government will have a say in appointing regional officials in areas such as finance, healthcare, education, or construction, which regional budgets spend most of their money on, upgrading the existing practice of presidential envoys appointing their own people to key positions in problematic regions and bypassing regional institutions, which are often influenced by local elites.[75] Regional deputies—who, among others, adopt regional laws and control election infrastructures, and many of whom are local businessmen—will have the same status and thus the same transparency requirements as public servants, making it easier to pressure them.

In return, governors received the right to occupy their positions for more than two consecutive terms, saving the Kremlin from having to take difficult personnel positions in 2022-23 when the second terms of several high-profile governors, such as Moscow Mayor Sergey Sobyanin or Tatarstan President Rustam Minnikhanov, end. The second bill broadens the rights of governors over municipalities. Now, they can dismiss mayors who do not meet their performance indicators after one warning, and once district assemblies enable them, they may be able to propose candidates for mayor. This means that competitors with strong local power bases, whether local elites or independents with grassroots support, will have a harder time challenging the Kremlin's "Varangians." Merging small municipalities into bigger ones is also intended to have a chilling effect, and not only because thousands of local authorities will be abolished. Independents and organizations that do not already have strong representation in municipal assemblies will find it much more difficult to pass the so-called "municipal filter" (requiring candidates standing for the office of governor to collect recommendations from 5-10 percent of municipal deputies in a region) without making deals with United Russia.[76]

Again, the reforms affirm a system that has

71 "Tatarstan opposes federal draft law on retitling the republic's president," *Meduza*, October 25, 2021, https://meduza.io/en/news/2021/10/25/tatarstan-opposes-federal-draft-law-on-retitling-the-republic-s-president (accessed February 8, 2022).

72 In the mid-2000s, when the federal government encouraged regional mergers, the two energy-rich autonomous districts that officially belong to the Tyumen region, were able to keep their own administration and their budget in exchange for agreeing to sharing their income. Another similar "nesting doll" region is the Arkhangelsk Region and the Nenets Autonomous District.

73 "Zakon Gosdumy, ugrozhayushchii 'tyumenskoi matryoshke', izmenyat (The State Duma bill, which threatened the "Tyumen nesting doll" is going to be changed)," *URA,* November 2, 2021, https://ura.news/news/1052514579 (accessed February 8, 2022).

74 "Nezavisimye deputaty podgotovili popravki v napravlenii 'na razval Rossii' zakon o publichnoi vlasty (Independent deputies prepared amendments to the law on public administration "leading to the collapse of Russia)," *Tayga Info*, November 2, 2021.

75 For a seminal study on this, see: David Szakonyi, *Politics for Profit: Business, Elections, and Policymaking in Russia* (New York: Cambridge University Press, 2020).

76 "Fil'tr perekhodnogo perioda (The filter of transitional period)," *Kommersant*, January 29, 2022, https://www.kommersant.ru/doc/5192123 (accessed February 8, 2022). For a good study on the effect of the reform on local elections, see, Andreychuk, Stanislav, "Fortress' Plan," *Riddle*, February 5, 2022, https://ridl.io/en/fortress-plan/ (accessed February 8, 2022).

Deputy Prime Minister Dmitry Chernyshenko at the 16th UN Internet Governance Forum in December, 2021. (government.ru)

effectively already existed. Municipalities have had to report on performance indicators to regional authorities since 2008.[77] Municipalities are even more dependent on regional and federal authorities than regions are on the federal budget. In 2018, the Finance Ministry claimed that of 4.25 trillion rubles of total municipal income, only 1.5 trillion came from taxes and other fees; the rest—roughly 64.5 percent—were transfers. In 2019, this figure grew to 66 percent.[78] Natalya Zubarevich, a prominent economist, estimated that municipalities relied on various forms of transfers to the extent of 75 percent of their income already in 2018.[79] Yevgeny Grigoriev, a United Russia politician who replaced Sardana Avksentieva as mayor of Yakutsk in 2021, was quite blunt about this in his campaign when he said that a city that relies on the regional government for most of its income cannot afford disputes with the governor.[80]

The purpose of the reform is not to resolve the problems stemming from this fiscal dependency, but it is to reduce political risks for the federal government in a region before 2024 by eliminating the influence of many actors over whom the Kremlin has partial or no control. In the early 2000s, the direction of the reform seemed to tilt toward the creation of "super-regions," which had similar effects by reducing the circle of people with whom the federal government had

77 Noble, Ben, "Vladimir Putin and 'public power,'" *Presidential Power*, May 5, 2021, https://presidential-power.net/?p=11689 (accessed February 8, 2022).

78 Finance Ministry of Russia, https://www.minfin.ru/common/upload/library/2019/06/main/Rezultaty_provedeniya_monitoringa_mestnykh_budzhetov_za_2018_god.pdf (accessed February 8, 2022).

79 "Goroda-bankroty: kto v Rossii ne mozhet rasplatit'sya po dolgam (Bankrupt cities: who in Russia cannot pay off their debts)," *BBC Russian*, December 21, 2018, https://www.bbc.com/russian/features-46638019 (accessed February 8, 2022).

80 "Narodnogo mera smenit zamestitel (Her deputy succeeds the mayor of the people)," *Kommersant*, January 11, 2021 https://www.kommersant.ru/doc/4640120 (accessed February 8, 2022).

to cut a deal.[81] But mergers were messy and thus politically risky, while the current reform does not appear to be.[82]

The reforms also align with the Kremlin's novel development policy directions, in which municipalities are mere subjects of policies and investment projects administered by regional officials and financed by federal money. They align well with Russia's emerging digital authoritarianism. This has taken the form of a combination of centralized decision-making based on enhanced data collection and a securitization of the public sphere. In the past two years, Mikhail Mishustin's government has built data-collection and data-crunching tools and institutions to complement Russia's already highly centralized model of governance.[83] A so-called "Coordination Center," created in 2021 under Mishustin's deputy, Dmitry Chernyshenko, is tasked with managing both incidents and big projects, relying on increased digital surveillance capabilities (including Russia's successful Gosuslugi government services platform, but also the collection of data from social media), essentially shifting most of the analysis, decision-making, and project management from regions and municipalities to the federal government. [84]

This is not quite the flamboyant *ruchnoye upravlenie* (manual control) exhibited by Putin, most notably in his yearly marathon call-in shows, during which he listens to carefully vetted questions, solves problems live on air, and chides regional and local officials. But it isn't entirely different, either. It is a quieter, bigger, and potentially more effective version, and one from which Putin is increasingly absent. Meanwhile, as mentioned above, the security services, especially the FSB, are increasingly present in regional politics, too, including through regional FSB directorates. While the impact is difficult to quantify, the number of arrests of high-ranking regional and local officials has increased.[85] In the decade between 2005 and 2015, nine Russian governors were arrested. Between 2015 and 2021, 11 governors were arrested, most recently Ivan Belozertsev, the governor of the Penza Region, who was detained in March 2021 on corruption charges.[86] These arrests fit the pattern, discussed above, of expropriations and business disputes settled by means of law enforcement.

The success of the reforms—from the point of view of the Kremlin—is contingent on Russian citizens acquiescing to this new understanding of political legitimacy and regional elites accepting that the terms of engagements have changed. This is far from a given. Recent research by the Carnegie Moscow Center confirmed the hypothesis that as elections lose their legitimizing function, Russians increasingly look at them as a way to articulate dissatisfaction, which encourages protest voting.[87] It is unclear how regions with an ethnic character, such as Tatarstan or Chechnya, which is de facto ungoverned by Russian law, will respond to centralizing efforts.

81 Okunev, Igor, Petr Oskolkov, and Mariya Tislenko, "Ob'edinenie regionov Rossiiskoi Federatsii: institutsional'nye i sotsial'nye posledstviya (The unification of the regions of the Russian Federation: institutional and social consequences)," in: *Polis. Political Studies*, 2018. No. 2. p. 8-28.

82 Toth-Czifra, Andras, "Lessons in division: is it a good idea to merge Russian regions?" *Institute of Modern Russia*, June 3, 2020, https://imrussia.org/en/analysis/3120-lessons-in-division-is-it-a-good-idea-to-merge-russian-regions (accessed February 8, 2022).

83 An excellent overview of these changes can be found in Burkhardt, Fabian, "Foolproofing Putinism," *Riddle*, March 29, 2021, https://ridl.io/en/foolproofing-putinism/ (accessed February 8, 2022).

84 Petrov, Nikolay "Ukho gosudarevo. Kak Kreml' sozdaet novuyu strukturu vneshnego kontrolya za regionami (The ear of the ruler. How the Kremlin is creating a new structure to control the regions from outside)," *The Insider*, March 11, 2021.

85 "U merov v Rossii dva puti – povyshenie ili ugolovnoe presledovanie (For mayors in Russia, there are two directions – promotion or criminal prosecution)," *Vedomosti*, June 27, 2019 https://www.vedomosti.ru/politics/articles/2019/06/26/805155-merov-rossiiskih (accessed February 8, 2022).

86 A handy list was compiled by publicist Nikolay Podosokorsky in March 2021, 2021: https://www.facebook.com/podosokorskiy/posts/5692257384125219 (accessed February 8, 2022).

87 Kolesnikov, Andrei, and Denis Volkov, "Will a New Generation of Russians Modernize Their Country?" *Carnegie Moscow Center,* February 4, 2022 (accessed February 8, 2022).

CONCLUSIONS

The 2020 constitutional reform was meant to "lock in" the political development of two decades of Putinism and set the stage for a more ambitious authoritarianism, in which the central government can proactively handle and reduce risks and engage in transformative projects. In this configuration, one could argue that Putin himself is "fading" as the institutions formed under his rule takeover the tasks of running the economy and day-to-day politics.[88]

However, as the "2024 problem" approaches, the weakness of this top-heavy institutional arrangement comes to the foreground. This is different from the electoral horizons in democratic polities, which usually don't endanger core institutions. In a heavily centralized and personalized autocracy such as Russia's, the combination of a short-term focus and a deep uncertainty about future institutional arrangements, can make effective policymaking all but impossible. As Fabian Burkhardt, a researcher at the Leibniz Institute for East European Studies, pointed out, the institutional changes of the past two years aimed to "foolproof" the system.[89] But this does not offer guarantees for everyone. The security elite will seek their own guarantees. In addition to budget increases, officials appointed by the president can now keep their position past 70 years of age.[90] Other groups may seek similar guarantees.

Strategic uncertainty about Putin's 2024 plans may help prevent, or rather, delay jockeying for positions in a post-Putin era. As long as every major policy decision is subordinated to the paramount goal of reducing risks for 2024, policies offering short-term gains and those avoiding or delaying domestic political risks are prioritized—often to the detriment of ideal policy outcomes. The intended direction of the reforms may indeed be the creation of a political system that can run itself—one, in which day-to-day politics is handled by an effective and digitally enhanced central government and where the president can cherry-pick the issues that he is involved in or fade into the background. However, these reforms do not resolve core contradictions about governance in Russia. Their two goals—enhancing governance and strengthening control—are often in contradiction. In a way, Russia is in a very different place than where it was two years ago. In another way, it did not go anywhere.

88 Stanovaya, Tatiana, "Raskol sredi svoikh. Kak uzhestochenie rezhima v Rossii stalkivaet gosoligarkhov i silovikov (Split among his own. How the hardening of the regime in Russia is pushing state oligarchs and security officials against each other)," *Carnegie Moscow Center*, February 7, 2022 (accessed: February 8, 2022).

89 Burkhardt, Fabian, "Foolproofing Putinism," *Riddle*, March 29, 2021, https://ridl.io/en/foolproofing-putinism/ (accessed February 8, 2022).

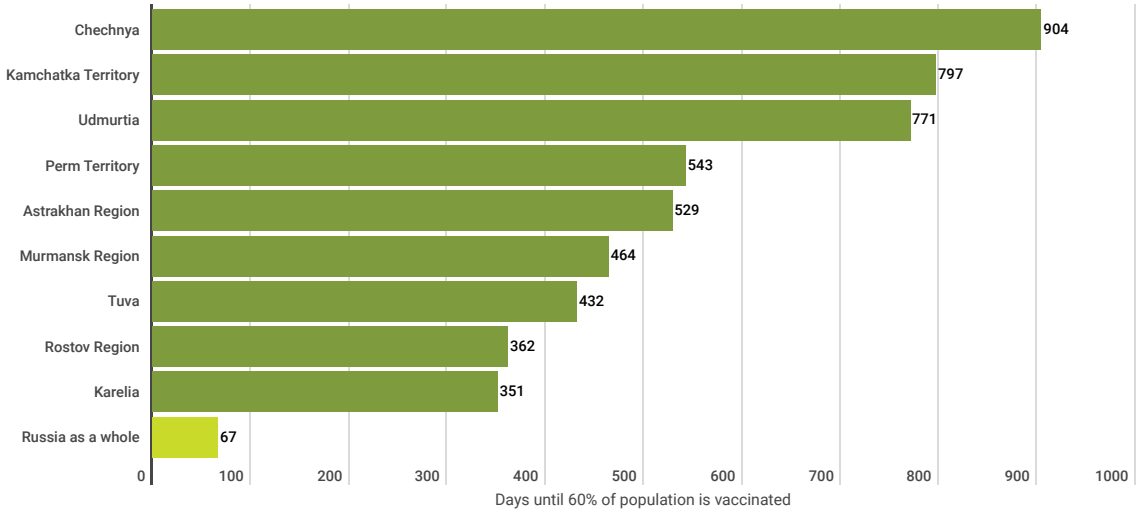
90 "Putin predlozhil otmenit' predel po vozrastu dlya naznachaemykh im chinovnikov (Putin suggested scrapping the age limit for officials appointed by him)," *RBK*, January 22, 2021, https://www.rbc.ru/politics/22/01/2021/600ab2739a79476a3a7bd777 (accessed February 8, 2022).

TABLES

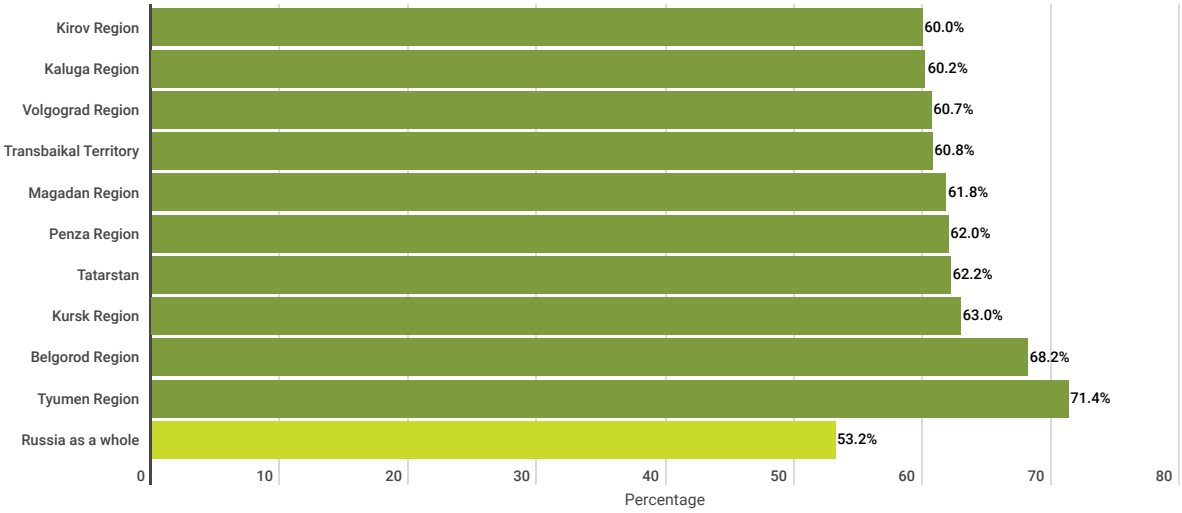
1. Best and worst performers in vaccination, February 8, 2022

Source: Gogov.ru

A: Days until 60 percent of the population is vaccinated at present pace of vaccination

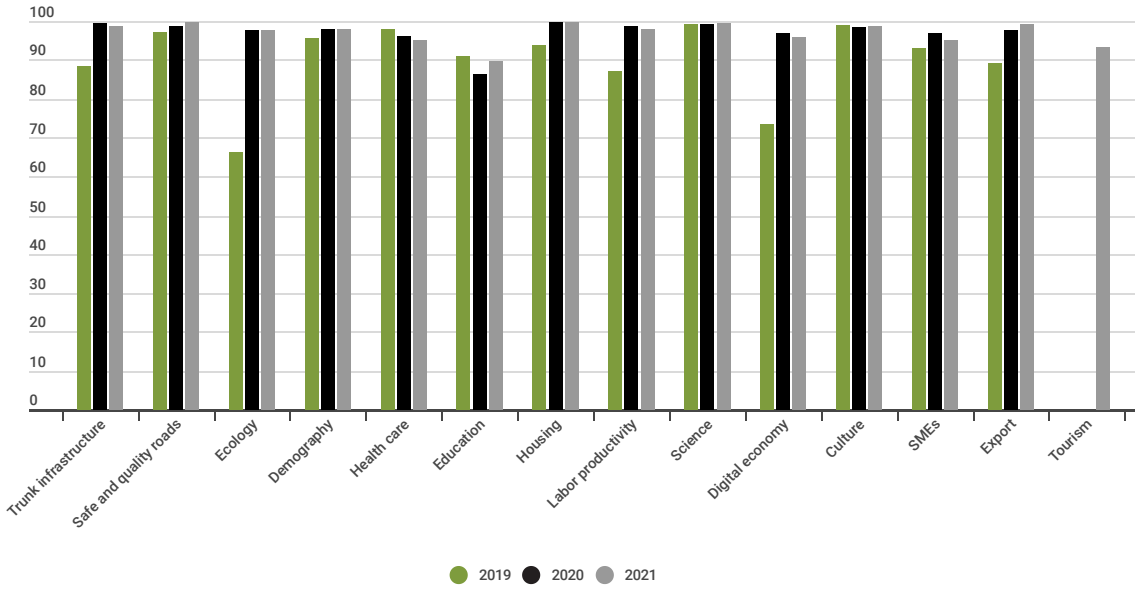


B: Regions with highest reported vaccination rate (at least one jab) in whole population



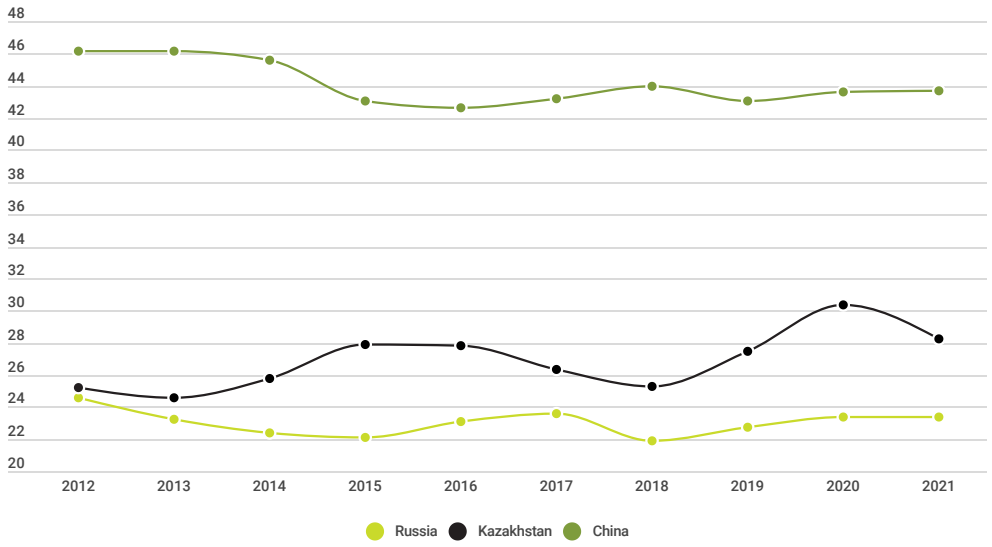
2. Federal allocations to the National Projects paid out (percent)

Source: Audit Chamber of Russia (2019-20), Finance Ministry of Russia (2021))



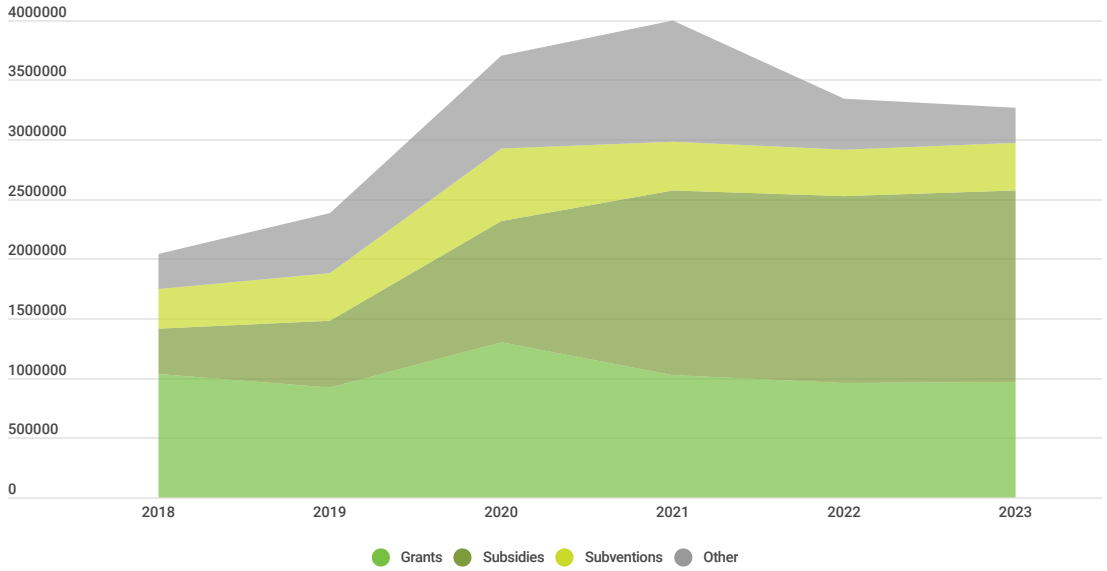
3. Investment rate in Russia, Kazakhstan, and China.

Source: World Bank; 2021: projection



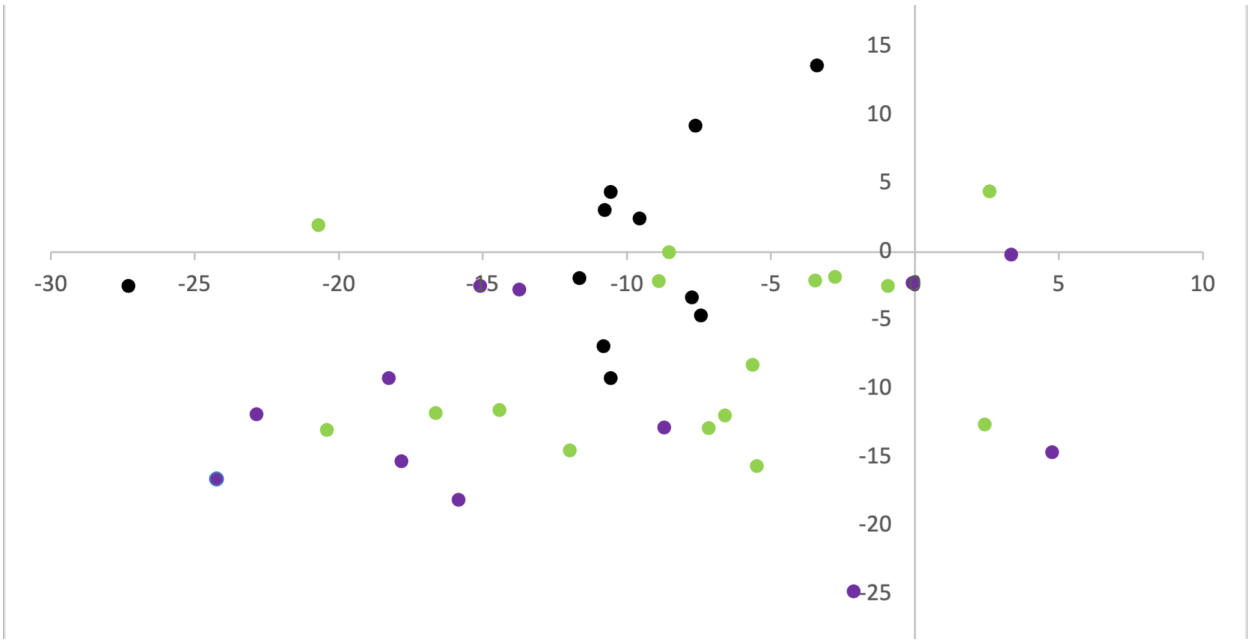
4. Budgetary transfers by type, million rubles, 2018-23 (2018-20: actual payments; 2021-23: budgetary allocations).

Source: Audit Chamber of Russia (2018-20), Finance Ministry of Russia (2021-23)



5. Regional elections 2018-20: turnout (X axis) and United Russia vote (Y axis) difference from 2016 Duma election. Green: 2018; Purple: 2019; Black: 2020.

Source: Central Electoral Committee, regional electoral committees.



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