

International Studies Program

Working Paper 03-05
December 2002

Asymmetric Federalism in Russia : Cure or Poison

Jorge Martinez-Vazquez



Georgia State
University

Andrew Young
School of Policy Studies



Asymmetric Federalism in Russia : Cure or Poison

Working Paper 03-05

Jorge Martinez-Vazquez

December 2002

International Studies Program
Andrew Young School of Policy Studies
Georgia State University
Atlanta, Georgia 30303
United States of America

Phone: (404) 651-1144
Fax: (404) 651-3996
Email: ispaysps@gsu.edu
Internet: <http://isp-aysps.gsu.edu>

Copyright 2001, the Andrew Young School of Policy Studies, Georgia State University. No part of the material protected by this copyright notice may be reproduced or utilized in any form or by any means without prior written permission from the copyright owner.

International Studies Program Andrew Young School of Policy Studies

The Andrew Young School of Policy Studies was established at Georgia State University with the objective of promoting excellence in the design, implementation, and evaluation of public policy. In addition to two academic departments (economics and public administration), the Andrew Young School houses seven leading research centers and policy programs, including the International Studies Program.

The mission of the International Studies Program is to provide academic and professional training, applied research, and technical assistance in support of sound public policy and sustainable economic growth in developing and transitional economies.

The International Studies Program at the Andrew Young School of Policy Studies is recognized worldwide for its efforts in support of economic and public policy reforms through technical assistance and training around the world. This reputation has been built serving a diverse client base, including the World Bank, the U.S. Agency for International Development (USAID), the United Nations Development Programme (UNDP), finance ministries, government organizations, legislative bodies and private sector institutions.

The success of the International Studies Program reflects the breadth and depth of the in-house technical expertise that the International Studies Program can draw upon. The Andrew Young School's faculty are leading experts in economics and public policy and have authored books, published in major academic and technical journals, and have extensive experience in designing and implementing technical assistance and training programs. Andrew Young School faculty have been active in policy reform in over 40 countries around the world. Our technical assistance strategy is not to merely provide technical prescriptions for policy reform, but to engage in a collaborative effort with the host government and donor agency to identify and analyze the issues at hand, arrive at policy solutions and implement reforms.

The International Studies Program specializes in four broad policy areas:

- **Fiscal policy**, including tax reforms, public expenditure reviews, tax administration reform
- **Fiscal decentralization**, including fiscal decentralization reforms, design of intergovernmental transfer systems, urban government finance
- **Budgeting and fiscal management**, including local government budgeting, performance-based budgeting, capital budgeting, multi-year budgeting
- **Economic analysis and revenue forecasting**, including micro-simulation, time series forecasting,

For more information about our technical assistance activities and training programs, please visit our website at <http://isp-aysps.gsu.edu> or contact us by email at ispaysps@gsu.edu.

ASYMMETRIC FEDERALISM IN RUSSIA: CURE OR POISON?

Jorge Martinez-Vazquez*

**Economics Department
Andrew Young School of Policy Studies
Georgia State University**

December 2002

* I would like to thank Dmitry Shiskin for his able assistance and Andrey Timofeev for helpful comments.

1. INTRODUCTION

The Soviet Union disintegrated in 1991 for several fundamental reasons, including the failure of planned socialism to improve the standard of living of its citizens. One less anticipated, but also fundamental, reason for the disintegration of the Soviet state was the diversity and pluralism of the Soviet republics which included peoples and countries as diverse as Estonia, Latvia and Lithuania in the Baltics; the Central Asian republics such as Tajikistan, Kyrgyzstan or Kazakhstan; and Armenia, Georgia, and Azerbaijan in the Caucasus. To the surprise of many, one of the leading supporters of this separation was the Russian Federation which, until then, had been perceived as the ruling center of the vast empire put together during many centuries of war by Czarist Russia and the Soviets.

The birth of the Russian Federation in the agony of the disintegration of the Soviet Union marked the young country from the start with the fear of its own disintegration. The fears were justified: the Russian Federation was formed of 89 very different regions. From the start, several of these regions rushed to declare their sovereignty and independence from the Russian Federation. In many ways, therefore, the new country was subject to centrifugal forces similar to those that had led to the disintegration of the Soviet Union.

Nation building, indeed keeping the nation together, took first priority in the national agenda in the early years of the transition (1992-93). One of the most important tools used in this effort was the design of a new system of intergovernmental fiscal relations between the federal and regional governments, and to a lesser extent between the regional and local governments, capable of accommodating the diversity of Russian regions and ethnic groups. The new Russian government theoretically had the choice of building a homogeneous system of intergovernmental fiscal relations that treated all regions exactly the same or an asymmetric system, which would have given in the law advantages to some regions over others.

In reality, the federal government in 1992-93 did not have much of a choice but to accept the reality of an asymmetric system of intergovernmental relations, which was being fast shaped by the demands of a small number of ethnic republics. In fact, it was the regions which early on dictated the agenda of the federal contract: the shape and form the Russian Federation should assume. The federal government in the early years of the transition remained reactive and tried to adapt to the agenda set by the maverick regions. The Russian Constitution of 1993 recognized the possibility of an asymmetric configuration of intergovernmental relations between the regions and the federal government.

In the eyes of many, the asymmetric design of the system of intergovernmental fiscal relations saved Russia from falling into an abyss of civil wars as in Chechnya and thus kept the country from disintegrating. But asymmetric federalism has not been without costs in the Russian Federation. Many of the problems and tribulations Russia went through in the last decade, lack of fiscal discipline, economic stagnation and so on, have been explained by many observers as having roots in the asymmetric federalism and the inability of the federal government to impose a unified legal system throughout the Russian Federation. The administration of President Yeltsin clearly started a campaign in 1997-98 to rein in the regions. This policy was significantly increased by the new

administration of President Putin, who, since he took over in 2002, has made gaining control over the regions and enforcing the federal laws a cornerstone of his administration.

The trademark of the early years of the Yeltsin administration was to accommodate the demands for more autonomy with concessions to the most aggressive regions by basically giving them a more favorable treatment within the framework of intergovernmental fiscal relations. Leaving aside the issue of Chechnya, this special treatment was not very successful in quieting those demands. Some of the problem was self-inflicted. Early on, Yeltsin saw the regional demands as a strategic weapon, which he could use in his fight for political dominance with the legislative branch, the Supreme Soviet. President Yeltsin eventually prevailed over parliament, but things got too far away for Yeltsin to reclaim control over the powerful and now democratically elected governors he had created. During the Yeltsin years many regions acted as if there were little benefit from being part of the federation and they acted preponderantly with a narrow, selfish view - not in the national interest. This scenario changed quite radically with the election of Vladimir Putin as president in March 2000. Putin was elected with a wide margin and his popularity allowed him to immediately take on the regional governors, and reduce their power.

The objective of this paper is to evaluate the role, significance and effects of asymmetric federalism in the Russian Federation. There are, I believe, useful lessons that can be extracted from Russia's experience of the last ten years with asymmetric federalism. Some things have worked and others have not. The organization of fiscal federalism in Russia continues to evolve. It is uncertain where president Putin and his administration actually want to take fiscal federalism, but it seems that more central control (from Moscow) and a strengthened state are high on the policy agenda. This does not necessarily mean that there will be sustained fiscal recentralization in Russia. Perhaps the current administration believes that in order to increase decentralization it is necessary to forge a stronger federal government, one that is able to enforce the law throughout the national territory.

The rest of the paper is organized as follows. In the next section we describe in some depth the significant economic, geographic, and ethnic diversity of Russia's regions. In Section 3 we discuss the principles and theory of asymmetric federalism. In Section 4, we review the nature and extent of asymmetric federalism in Russia.¹ Section 5 examines how well the asymmetric design of intergovernmental fiscal relations worked in Russia: whether it helped or it hurt. Section 6 examines the future of fiscal decentralization in Russia and what role asymmetric policies are expected to play. We close with some concluding comments.

2. DIVERSITY OF RUSSIAN REGIONS

Russia is the largest country in the world, spanning 11 time zones. The 17 million square kilometers encompass 89 regional autonomous governments, with a population of

¹ I will not discuss in any depth the conflict of Chechnya. See Lapidus (1998) for a full discussion of the genesis and settings of the war.

145.9 million in 2000.² Russia's regions are diverse in economic conditions, ethnic composition, and language. There are also significant religious and historical differences across the regions. The 1993 Constitution states that of the 89 "subjects of the federation" (which I will call regions), 21 are republics,³ 55 are regular Russian oblasts and krais, 2 are the city regions of Moscow and St Petersburg,⁴ and 11 are autonomous okrugs, including the Jewish autonomous oblast.⁵ Although the formal reference is to the **89** regions of the Russian Federation, there is an ongoing open civil war in one of its regions, Chechnya; thus it is often the case that statistics and reports refer to **88** regions of Russia.

Many of the ethnic republics in Russia are quite poor and often located on the periphery of the country with higher transportation costs to main markets and alienation from the country's mainstream. In this group, we find Tuva, Buryatia, Karelia, Chechnya, Dagestan and so on. There are also several ethnic republics rich in natural resources and, as we will discuss below, have been at the vanguard of demands for autonomy and separatist threats. In this group we find Tatarstan, Bashkortostan and Sakha (Yakutia).

Main Regional Features

The main features of the regions ("subjects of the Russian Federation") are shown in Table 1 for the 11 geographical areas, and in Table A-1 in the Appendix for all 89 regions.⁶ The most striking feature is the unevenness of the distribution of land and population. For example, the East-Siberia Area and the Far-Eastern Area combined represent over 60 percent of the territory of the country but just barely over 11 percent of the population. By contrast, the Central Area, which includes Moscow, represents 2.8 percent of the area of the country but 20 percent of the population. In terms of population density it is below 0.1 person per square kilometer in Taimyrsky Autonomous Okrug in East Siberia and 8,631 people per square kilometer in Moscow.

There are also differences across regions in the vertical structure of government. The budgetary system across regions is quite diverse, with regions having 3 to 5 levels of government, but not all of them with a separate budget.⁷ In some regions, the regional authorities actually have a double-tier of government structure. This happens typically in regions where municipalities are subordinated to rayons (or county) governments. This second tier of regional government typically has a purely executive function and the authorities are appointed by the regional "center," which is, however, assigned its own operating budget.

² For statistical purposes the 89 regions are grouped in 11 areas (Northern Area, Ural Area etc.). President Putin recently created seven polpredy (or federal districts) with appointed envoys with the single agenda so far of enforcing federal laws in the regions.

³ These are made up of the former autonomous republics and most of the autonomous oblasts in the former Soviet Union.

⁴ These are the two largest cities in the country. Of course Moscow is the capital and St. Petersburg is often called the second capital of the country. From the times of Peter the Great to the start of the Soviet Union, St. Petersburg was the capital of Russia.

⁵ The autonomous okrugs are administered as separate parts of the oblasts and krais, but for reporting and statistical purposes, the autonomous okrugs are often incorporated into the surrounding oblast or kray.

⁶ Given the high number of regions, for space reasons I will try to minimize the number of tables that list all 89 regions. Table A-1 can be used as a guide for which regions fall within each geographical area.

⁷ See Kurlyandskaya (2001).

[Table 1 about here]

Demographic Changes:

During the last decade of economic transition, Russia has lost population. The country's population stood at 148.4 million in 1992 and was down to 145.9 million in 2000 (Table 2). Most regions suffered population losses from 1991 to 1999, as high as 6.6 percent in the Central Area, which includes Moscow (Table 3). The notable exceptions were several ethnic republics and autonomous okrugs (AO), which experienced positive natural increases in population during the period; for example, Dagestan, Chukotskiy AO, Ingushetiya, and Yamalo Neteskiy AO (Table 4). Among the outliers in negative natural changes in population were the regions in the corridor between Moscow and St. Petersburg (Tver, Novgorod, Pkov and Leningrad oblasts). See also Table 4.

[Tables 2 and 3 about here]

There has been much more variation across the regions in terms of changes in population due to net migration. The two main migration processes during the transition years were the return migration of Russians from the other former Soviet republics, and out-migration from the more inhospitable regions in the north and far-east to the western and southern parts of Russia.⁸ The big losers were the Far-Eastern and Northern Areas, which on average lost 10.7 percent and 5.1 percent of their populations in 1991-99 (Table 3). These averages hide in some cases dramatic changes. For example, in the Far-Eastern Area, the Chuotskiy AO lost over half of its population and Magadan oblast lost 40 percent (Table 4). These are remote isolated areas with harsh living conditions, which lost strategic military value with the end of the war.⁹ Another big loser in net migration was Chechnya due to the secessionist war.

[Table 4 about here]

The big winners in net migration were warmer and more hospitable parts of the country - the Central-Cherzozem (Black Earth) Area, with Belgorod oblast, for example, gaining 11.8 percent of its population, and the North Caucasia Area, with Krasnodar Kray, for example, gaining 11.4 of its population. Kaliningrad oblast, a western Russian enclave in the Baltic Sea between Poland and Lithuania, was also a big winner in net migration, up 10.8 percent in 1991-99. It is notable that by far the richest and most attractive of the country in terms of the economy, Moscow did not experience much net migration: 2.2 percent during the entire 1991-99 period. This may be explained, as a conjecture, by Mayor Luzhkov's demands (illegal) for residency permits (*propiska*),¹⁰ but

⁸ See Heleniak (1997).

⁹ In June, 2001, the federal government and the World Bank agreed to a loan of \$80 million to resettle inhabitants of the Far North on the "mainland." The idea is to reduce further the public support policy of the North and Far-East by resettling many of the current inhabitants. It definitely is much cheaper to help the same families in other parts of Russia with more moderate climates and better access.

¹⁰ Restrictions on internal mobility and residency permits were enforced in Soviet times by the official issue of the "propiska" or internal passport.

also by the scarcity and high cost of housing in the city. The latter may have been more important than the former. In St. Petersburg where, unlike Moscow, there has been no highly publicized enforcement of residency permits, but high cost of housing, net migration was a negative -0.1 .¹¹ Note that the oblasts surrounding the two cities, Leningrad oblast and Moscow oblast, experienced much higher net migration during the period, 8.3 percent and 4.3 percent, respectively.

Ethnic Diversity and Relative Geographic Remoteness

The Russian Federation has significant ethnic diversity, but much less so than was the case in the Soviet Union. Lapidus (1999) uses the able image that the 21 ethnically defined republics of the Russia Federation “..are more like islands in an ethnically Russian sea.” As summarized in Table 5, 88 percent of the population in the country is ethnic Russian in 1989. The ethnic nationalities tend to be concentrated in the periphery of the country, such as the North-Caucasia Area, but even here on average three-fourths of the population are ethnic Russians. However, there are 11 regions where more than half of the population is “titular” nationals or ethnically aboriginals. These include the Chuvashia republic (67.8 percent), Kalmikya republic (53.9 percent), Tatarstan (52.2 percent), Dagestan republic (80.2 percent), Ingushetiya republic including Chechnya (75.3 percent), Kabardino-Balkaria republic (57.6 percent), Karachaevo-Cherkesskaya republic (50.7 percent), North Osetia republic (60.4 percent), Komi-Permyatskaya AO (60.2 percent), Tuva republic (64.3 percent, and Aginskiy Buryatskiy AO (54.9 percent). Besides aboriginals or “titular” nationals, the statistical office (Goskomstat) also records other nationalities such as Ukrainians, Belorussinas, Armenians and so on. Although minorities in the whole country, the various ethnic groups are concentrated enough in a number of regions to make ethnic demands an important issue in the design of intergovernmental fiscal relations in the Russian Federation.¹²

[Table 5 about here]

Another significant factor of diversity, and possibly of conflict and frustration between the regions and the center, involves time zones and geographical distance between the federal capital and the regions. The fact that there are 11 time zones in Russia means that many regions are not able to communicate with Moscow during regular workday hours. The average distance between the capitals of the regions in the Far-Eastern Area and Moscow is 9,355 kms and the average time difference is 8 hours. The average distance for the entire Russian Federation between regional capitals and Moscow is 2,633 kms and the average time difference is 2 hours (Table 6).

[Table 6 about here}

¹¹ On the other hand , as discussed below, St Petersburg experienced much less economic growth than Moscow.

¹² There is, of course, rich history to accompany each ethnic republic and autonomous okrug, which for space reasons we must omit. For example, Tatarstan, one of the most colorful and assertive ethnic regions, has been part of Russia since 1552 when Czar Ivan the Terrible entered Kazan, the capital, defeating the then powerful khanate of Kazan.

Economic Disparities

Russia's regions show very significant disparities in industrial development and natural resource endowments. This has led to extremely high differences gross regional product (GRP) per capita across Russia's regions. For 1998, the difference between the highest (Tyumen oblast)¹³ and lowest (Ingushetia republic) GRP per capita was 18 fold, with ratios to the Russian mean GRP per capita ranging from 3.8 to 0.2 (Table 7). The geographical area averages in Table 7 for GRP per capita hide some of the largest disparities. Other regions with high GRP per capita are Moscow (2.5 ratio to the national mean) and mineral resource rich Sakha (Yakutia) republic in Siberia. Other extremely poor regions are neighbors of the Ingushetia republic in the North-Caucasus Area such as Dagestan republic (0.25 ratio to the national mean) or other ethnic republics in the periphery, such as Tuva (0.37 ratio to the national mean).

[Table 7 about here]

The transition period has done little to erase disparities. If anything, economic disparities have gotten worse over the recent past.¹⁴ As shown in Table 8 the differences between the maximum and minimum values or regional personal income per capita (expressed as ratios to the overall mean for Russia) increased from being 3.8 fold in 1985 to being 18.5 in 1999, almost a 500 percent increase in this measure of economic regional disparities. Of course this sort of trend has added to the challenge of designing the right system of intergovernmental fiscal relations, especially the system of equalization transfers as discussed below.

[Table 8 about here]

Economic disparities are aggravated by significant differences in the cost of living across Russia's regions. As shown in Table 9, the cost of the minimum regional subsistence basket was 470 percent higher in Chukotskiy AO than in Ulyanov oblast in 1999. Table 9 shows that there has been remarkable consistency and stability for the 5 most expensive regions and the five least expensive regions between 1995 and 1999. The most expensive regions, not surprisingly, are in the Far-East Area and the least expensive are around the Povolzhsk Areas.

[Table 9 about here]

The main cause of the disparities is the fact that economic growth has been increasingly concentrated in a handful of regions. As we see below, foreign direct investment has also been concentrated in even a smaller number of regions. Some areas of the country which depended more heavily in the past on Moscow for transfers and

¹³ Tyumen oblast with its Khanty-Mansiysky AO has the largest deposits of oil and gas in Russia.

¹⁴ See Sutherland and Hanson (1996) for a discussion of growing economic disparities in the early years.

subsidies, such as the Far East and the Northern areas, have suffered more significantly from budget cuts and the end of the Cold War era and the closing of many military facilities. On the other hand, changes in revenue sharing arrangements (discussed below) between the center and the regions allowed more of this income to stay in the resource-rich regions.

The area averages for the regional rates of growth from 1995 to 1998 are shown in Table 10. There is, of course, a predominance of negative rates of growth, which conforms with the pattern for the whole country through 1998. Some of the changes in real gross regional product are of cataclysmic proportions. For example, on average real GRP per capita fell by 22.5 percent between 1995 and 1996. Notice also that there were some spotty patterns of positive growth. For example, regions in the West-Siberia Area on average experienced growth over 5 percent in real GRP in 1995 and 1996, but that was all undone in the next two years, 1997 and 1998. In fact, the West-Siberia Area experienced the sharpest negative growth among any other areas in the crisis year of 1998.¹⁵ As usual, the area averages hide much larger differences in the rates of growth using regional data (See Table A-2 in the Appendix). The largest cities, Moscow and St. Petersburg did well in terms of growth during this period, especially Moscow. Their surrounding oblasts did less well, in particular the Leningrad oblast next to St. Petersburg. Natural resource-rich regions, like Tyumen oblast experienced ups and downs in real GRP depending on oil prices. Some of the regional figures in Table A-2 may also reflect reporting anomalies. For example, the republic of Dagestan experienced a decrease in real GRP of 24 percent in 1995 and an increase of 23.4 percent in 1997, similar to Magadan oblast, where real GDP fell, reportedly, by 39.7 percent in 1995 and increased by 21.6 percent in 1996. These are very large fluctuations in output, of course, and if they are real, they must have represented considerable social upheaval.

[Table 10 about here]

Ahrend (2000) investigated a number of possible factors that may explain the difference in economic performance across Russia's regions during the transition years. He finds that the most robust explanatory variable is the initial competitiveness of a region's industry, measured as the share of exports in regional total output. Other important factors in explaining performance were industrial structure, natural resource endowment,¹⁶ and human capital (measured as the graduation rate from high school among the population). What is most controversial in Ahrend's (2000) findings is that political, institutional and reform variables did not seem to matter in explaining different rates of growth across regions. There has been a wide belief that the degree to which a region implemented measures of economic reform should have played an important role in explaining economic performance, but Ahrend's (2000) instead finds that initial conditions at the start of the transition played a much more important role. Another study, by de Melo and Ofer (1999) also finds that economic performance of the regional capitals

¹⁵ The Russian economy has experienced positive economic growth in more recent years, but unfortunately disaggregated regional data were not available for more recent years.

¹⁶ But, natural resources are not always a salvation. For example, the Northern Area has not performed well despite its endowments of natural resources and its proximity to Western Europe (Finland). The Economist Intelligence Unit (May 1, 2000)

along the Volga River was associated with favorable initial conditions. However, this last study also gives economic reforms an important role in explaining differences in performance.

It could very well be that the impact of economic reforms on economic growth works with a lag and therefore it will take some time to be detected statistically. It could also be that positive initial conditions tend to be positively correlated with economic reform, and therefore it is not easy to disentangle the two types of effects. At any rate, with little constraints on their lawmaking powers, Russia's regions have produced quite different legal and regulatory regimes (Polishchuck, 2000). These differences in economic and regulatory regimes will sooner or later affect economic performance. The starkest difference has been between a group of regions that have maintained intensive interventions in the economy (through price controls, hurdles to interregional trade, and the use of consumer subsidies) and many other regions that have followed liberal and more market-friendly policies. It appears that so far there has been very little inclination of the "red belt" regions to relinquish their practices.¹⁷

Foreign Direct Investment Patterns:

The opening of the economy to foreign investors has done little so far to reduce economic disparities across the regions; in fact it appears that foreign direct investment (FDI) has been a factor contributing to the increasing disparities.

Clearly, Moscow has benefited from being the political capital of the country. The Moscow area is by far the most attractive region for FDI. During the 1995-99 period the accumulated FDI in Moscow City was 44.1 percent of the total FDI in Russia. In addition the FDI accumulated during the same period in Moscow oblast, the regional ring around Moscow City, was the second largest of any Russian regions at 9.8 percent of the total. Combined, this represents more than half of all FDI in Russia.¹⁸ By contrast, Moscow City and Moscow oblast together represent about one-fifth of Russia's GDP. Because of its role as capital city, there is of course the possibility that some FDI has been recorded as taking place in Moscow, when it may have ended up somewhere else in the Russian Federation, but the FDI is likely to be real. Besides being the finance and communications center for the country, Moscow has built a significant industrial and service base.

[Table 11 about here]

The second most important destination for FDI in Russia, but at quite a distance from the Moscow region, has been St. Petersburg and its surrounding region, Leningrad oblast. The two combined represented close to 8 percent of total FDI in 1995-99. FDI has

¹⁷The "red belt" is composed of those regions predominantly agricultural and non-urban which consistently voted for the communist party during the transition (see Berkowitz and DeJong, 1998). These authors find evidence of virtual internal borders in these regions, explained by their protective and centrally controlled economic policies.

¹⁸ The trend seems to continue for more recent years. Recently, Goskomstat reported that during the first half of 2001, 40 percent of the total FDI coming into Russia went to Moscow.

also been noticeable in several other regions. In some cases, the FDI is related to gas projects. For example, the FDI in Sakhalinskaya Oblast has been related to oil-gas investments in continental shelf projects, and in Krasnodarskiy Kray to the "Blue Line" – gas pipe line being built to transfer gas from Russia to Turkey. However, in other cases investments have been more diversified, such as in the cases of Novosibirskaya Oblast with investments from Coca-Cola and other food processing enterprises, Samarskaya Oblast with the chemical industry, food processing, and also petroleum refining. The distribution of FDI in Russia has recently been analyzed by Broadman and Recanatini (2001). They find the most important determinants to be market size, infrastructure development, and policy environment factors.

Two regional clubs: the haves and the have-nots

Disparities in economic conditions have led to a political split at the regional level with two main coalitions lobbying the federal authorities in quite different directions. In the first group are included the rich or "donor" regions, those which contribute in net terms to the federal budget. In the second group are the poor or "subsidy" regions, those that receive a net inflow of funds from the federal budget. The club of rich regions had some mobility at the bottom, but permanent members include Moscow City, St. Petersburg, Nizhny Novgorod, Samara, Sverdlovsk, Volgograd, Tyumen, Khanty-Mansi, Krasnoyarsk, and Sakha (Yakutia).

Policies addressed to reducing interregional income disparities.

The Russia Federation has had a significant evolution in revenue assignments during the transition years.¹⁹ At the start of the transition, the practice of "regulation," despite all the problems it represented involving bargaining and discretion, provided the significant advantage to the federal authorities of equalizing fiscal disparities across regions by reducing sharing rates in richer regions and increasing them in poorer regions. The drive to improve the predictability and transparency in revenue assignments meant that after 1994, there were attempts to introduce stable sharing rates over time and sharing rates uniform across regions. Table 12 offers a summary of revenue assignments between the federal government and the regions during the transition. The implication was that all regions, rich and poor, had to be treated the same.

Therefore, the attainment of more efficient and transparent revenue assignments brought about potentially larger fiscal disparities in the Russian Federation. The federal government had to rely on a new system of equalization grants to offset some of these increased disparities in the distribution of fiscal resources. Whereas revenue sharing arrangements had been relatively stable from 1994 through 1997, several substantial changes were made in revenue sharing arrangements before and after the economic crisis of August 1998. Changes in the assignment of revenues, especially the assignment of PIT collections, reflect a tug-of-war over resources between the federal and regional governments. As shown in Table 12, fiscal policy reforms in recent years have aimed at

¹⁹ The goal of this section is to highlight some of the main policies in revenue assignments, federal expenditures and transfers that have had major impacts on regional disparities. For a review of revenue and expenditure assignments and transfers see Martinez-Vazquez and Boex (2001).

reassigning tax revenues away from subnational governments and toward the federal government.²⁰ The federal government's share of overall tax collections again reached 60 percent in 2001 from a low of 42.5 percent in 1997.

A particularly important source of fiscal disparities in Russia, as we have seen, is the extremely uneven distribution of natural resources, in particular those for oil and natural gas. The significance of uneven distribution got emphasized by the tax reforms that gave the regions (for the first time in the country's history) a significant share of the tax revenues from mineral resources beginning in 1992 and confirmed in Part 2 of the Tax Code in 2002.

Actual revenues also may differ across regions because subnational governments have been granted some degree of tax autonomy. This autonomy basically consists of the choice of tax rates up to a maximum rate for three taxes: the shared part of the enterprise profit tax (EPT), with different rates for financial institutions and the rest of enterprises, the sales tax, and the enterprise assets tax. But, as we can see in Table 13, with just a few exceptions, regional governments are fully using their ability to raise taxes by charging the highest possible rate allowed for those taxes. But even so, the ability to self finance their budgets out of own and shared taxes varies considerably, from 1 percent in Madagasnk oblast and 100 percent in the City of Moscow (first column of Table 13).

Besides tax policy, expenditure policies by the federal government in the regions have the potential for increasing or dampening fiscal disparities. One way to look at this issue is to observe the direct expenditures by the federal government in the regions. These figures are ordinarily difficult to calculate and they involve some arbitrary assumptions. Nevertheless, they can tell an interesting story. Table 14 shows the direct expenditures from the federal budget in the regions. Leaving aside the very large figure in federal direct expenditures per capita in Moscow, which reflects the allocation there of unallocable items, the numbers in Table 14 tell two main stories. First, federal direct expenditures would seem to contribute to the equalization of fiscal disparities. These figures are larger in poorer remote areas in the Northern Area, the East-Siberia Area, and the Far-Eastern Area. The second story is that those regional governments, which by treaty or unilateral action tend to retain a higher portion of collected revenues from federal taxes, such as Tatarstan and Bashkortostan, do indeed get the lowest federal direct expenditures per capita, by a wide margin.

The most important tool used by the federal governments to address the problem of fiscal disparities has been the system of intergovernmental transfers. The system of equalization transfers has been continuously changing over the transition. The formula used in the allocation of funds to the regions continued to improve. After the 2000 reforms, the system improved in transparency, objectivity and the minimization of negative incentive effects on revenue mobilization and expenditure efficiency by using measures of revenue capacity and expenditure needs to arrive at fiscal disparities. Table 15 shows total federal transfers by Area for 1997-2000 and only budgeted equalization transfers for 2001. As percent of total, regions in the North Caucasia Area receive the largest chunk of transfers followed by those regions in the Far-Eastern Area. The Central Area is also an important recipient as are East and West Siberia.²¹ In per capita terms the

²⁰ In addition to the centralization of PIT revenues, the reassignment of VAT to the central government most significantly contributed to the centralization of public sector resources.

²¹ Note that the max and min figures apply to the individual regions and not the Areas.

rankings are somewhat changed with the regions in the Far-Eastern Area being significantly ahead of the rest, and with the East-Siberia and North-Caucasia Areas in second and third positions, with also significantly higher amounts (Table 16.) But it must be noted that federal transfers, with some exceptions, do not represent as large of a share of regional budgets.²² For example, the share of transfers in total revenues of the regions of the Far-Eastern Area was on average 23.5 percent in 2000. But for the same year, transfers represented 78 per cent of total revenues for the Tuva Republic in the East-Siberia Area.

What has driven federal transfers to the regions in Russia?

There has been considerable research on the political economy and “equity” of federal transfers in Russia. The question most often asked has been whether or not federal transfers can be explained by economic objectives such as equalization of fiscal capacity and expenditure needs among different levels of governments or whether they actually reflect political economy considerations and purely asymmetric treatment due to political forces of the moment. Some authors (Popov, 2002, and Treisman 1996 and 2000) find that politics have been a major force in defining federal transfers to the regions. Interestingly, the relevant political factors may have changed over time. Early on, for example Treisman (1996) concluded that federal transfers were used to appease trouble-making regions. Between 1992 and 1994, the regions that got treated most favorably were regions that had not supported the Yeltsin governments in the dispute with the parliament, and which otherwise had made separatist noises by issuing sovereignty declarations, and so on. For the period of 1996-98, Popov (2002) and Speckhard (2000) find that the regions that got treated better in terms of federal transfers were those that supported the Yeltsin government in the 1995 parliamentary elections and the 1996 presidential elections.²³

Yet some other studies have emphasized that transfers have been roughly compatible with the principle of regional fiscal needs because the bulk of federal transfers has gone to the neediest regions, thus partially accomplishing the desirable objective of equalization (Stewart, 1997, McAuley 1997, and Martinez-Vazquez and Boex, 2001). But as Solanko (1999) points out, whether or not transfers in the Yeltsin years were motivated by politics or by economic and fiscal needs may be hard to discern because of the correlation between poor socio-economic conditions, for example, and the anti-reform and anti-Yeltsin sentiments among regions early on in the transition.

3. WHAT IS THE RATIONALE FOR ASYMMETRIC FEDERALISM?

One of the ways the Russian Federation has managed to cope with such a high degree of diversity has been through the differentiated treatment of the regions or the practice of asymmetric federalism. Russia is not alone in having adopted this approach.

²² Remember that tax sharing is not considered to be a part of transfers.

²³ It should also be noted that the differences in findings may reflect the use of different definition of transfers. For example, Popov (2002) uses a more comprehensive definition of transfers than does Treisman (1996).

Many “multinational” democracies have introduced asymmetrical treatment in their practices (Stepan, 1999).²⁴

Concepts of asymmetric federalism

Although asymmetric federalism has become a commonly used term, its meaning is not always clear. There are several dimensions to be considered. First, one can distinguish between “de jure” asymmetric as opposed to “de facto” asymmetric treatment. In the first case, the decentralization laws treat some regions more advantageously, such as providing them with wider revenue powers by comparison to the rest of the regions. In the case of “de facto” asymmetric treatment, the advantage comes from how the laws are actually implemented, basically discriminating in favor of, or against, particular regions by, for example, channeling additional funds to some regions in an ad-hoc or non-transparent manner.

It may also be useful to differentiate between asymmetric treatment “ex ante” versus asymmetric treatment “ex post.” Asymmetric federalism implies the unequal treatment of regions ex ante, with regions having different powers and privileges for being what they are. Ex post it is almost certain that most regions will fair differently because of the many other factors, besides the institutional policy framework provided by the central government, that affect outcomes.

Asymmetric federalism can manifest itself in the different aspects of decentralization. For example, in political decentralization, some regions may have more autonomy to legislate and use the trappings of nationhood. In administrative decentralization, regions may have different powers to set salaries, fire and hire personnel, and so on. In the case of fiscal decentralization, regions may have different revenue and expenditure assignments.²⁵

General benefits of asymmetric federalism

Asymmetric federalism can be used to accommodate very diverse and more or less permanent preferences and appetites for autonomy across regions. Often the different demands for autonomy are seated in differentiated historical past (See McLure et al., 1996). Asymmetric federalism can also be used to accommodate different regional administrative capabilities and state of readiness for decentralized management (Garcia-Milá and McGuire, 2001). In the case of Russia, asymmetric fiscal arrangements arose mainly from political considerations and much less so from efficiency reasons. As we see below, the early demands for independence of a number of ethnic republics definitely fit the pattern of asymmetric federalism by serving to accommodate different desires for regional autonomy and more political independence. There were also in Russia quite different administrative capabilities across regions. However, this never appeared to

²⁴ Multinational democracies assign different legal and also linguistic and cultural competencies to their regions. Such are the cases of India, Belgium, Canada, Russia, and Spain.

²⁵ In the case of transfers, even under perfectly symmetric federalism, regions will get different amounts, reflecting differences in need, capacity and so on. Transfers are a complex, grey, area in terms of asymmetric federalism. Formula-driven and objective procedures to determine transfers may be considered symmetrical treatment ex-ante. However, in many countries equalization formulas have been reshaped and twisted to accommodate the interests of some particular regions.

become a driving force for asymmetric federalism. Asymmetric federalism has also been explained as a way to address conflicts of interest and growing divergence between richer regions, with stronger economic bases and more incentives to resist interregional distributions, and poorer regions which are highly dependent on central transfers (Freinkman et. al., 1998). Naturally, regions with fewer resources are more inclined to oppose asymmetric decentralization because the asymmetry will likely protect the interests of the wealthier regions. This process, no doubt, has also played a role in Russia, as discussed above.

Stepan (1999) makes an interesting point from a cultural and linguistic perspective. He argues that some groups of individuals in a country may only be able to participate fully as individual citizens if they acquire particular rights as a group. For example, he adds, the rights to schooling, media access, and religious practice correspond to the right of the group to use its own language and culture. Therefore, these different needs and preferences give rise naturally to asymmetric treatments in democratic environments. Initial conditions matter in these interpretations. For example, is the right to use a regional language an example of asymmetric treatment? Or, is the prohibition to use a regional language an example of asymmetric treatment?

General costs of asymmetric federalism

Asymmetric federalism obviously does offer some advantages, temporary or more permanent, but not without costs. One cost is “philosophical.” in the sense that asymmetry means there are not equal rights across the country. For example, if the Republic of Tatarstan is allowed to retain a higher share of revenues, at least potentially its citizens will receive higher public services than residents in other regions. Asymmetry also tends to diminish the capabilities of the central government to pursue national objectives, such as revenue mobilization for the delivery of national services or the ability of the central authorities to implement equalization at the subnational level. The asymmetric treatment of regions is often associated with, although it does not have to be, the lack of transparency and with complicating administrative relations. A good example of that is provided by the “secret” bilateral treaties the Russian federal government struck with many regions in the mid 1990s.

4. THE PRACTICE OF ASYMMETRIC FEDERALISM IN RUSSIA

An overview

Asymmetric federalism has played an important role in Russian federalism. From the start, asymmetric federalism played a crucial role in the struggle to keep the Russian Federation together. What followed were different manifestations of asymmetric federalism, including customized bilateral treaties between the center and the regions and an intense constitutional debate about the nature of the Russian Federation (Lynn and Novikov 1997). But fundamentally, asymmetric federalism started in Russia for very pragmatic reasons. De facto asymmetry arose simply from the fact that while several

regions were demanding more autonomy and disregarding the federal laws, the central authorities were incapable of enforcing the federal laws.²⁶

The most intense demands were coming from ethnic republics with separatist tendencies including the declarations of independence in Tatarstan, Bashkiria and Chechnya. While in the case of the former two, the situation was managed through the negotiation of treaties with the federal government as early as 1993, in the case of the latter it led to a bloody civil war. A number of natural resource-rich regions, for example Sakha (Yakutia) and Tyumen, demanded special arrangements and treatment on the basis that these regions had been exploited for their natural resources through environmental degradation and had otherwise never benefited from that wealth. Less aggressive in their demands, at least at the beginning of the transition, were the industrially well-endowed and in general wealthier regions. Later on, these regions would join the chorus of complaining regions, in their case complaining about the fact that they were being forced to subsidize many poorer regions.

These different treatments became “de jure” asymmetric treatment when the new Constitution of 1993 made asymmetric treatment legal and quite standard. Legally, asymmetric arrangements were also formalized in the different charters and constitutions of the regions. In the case of many republics it appears their “national” constitutions were at odds or contradicted the constitution of the Russian Federation (Lynn and Novikov, 1997). The regional charters and constitutions worked a different type of definition of the bilateral relationships between the regions and the center, pretending specific arrangements in terms of revenue and expenditure assignments. After 6 to 7 years of transition, asymmetric federalism was being slowly but surely being dismantled in Russia, a trend that started in the closing years of the Yeltsin presidency and accelerated after Putin became president. In fact, one of the first important moves of President Putin was to cut back the power of regional governors, including assigning himself authority to remove incompliant governors from office. This section takes a closer view of how the practice of asymmetric federalism has actually evolved in the Russian Federation. The experience of Russia may provide one of the richest examples of asymmetric federalism - with all of the advantages and disadvantages that come with it. These themes are further developed below.

Russia's path to asymmetric fiscal relations in the early years

In the early years of the Yeltsin presidency (1992-99) intergovernmental fiscal relations were dominated by pressures to contain and mitigate powerful centrifugal forces in the country. Many regions were attempting to position themselves to benefit as much as possible from the political and institutional weaknesses of the center during this period of the transition. These same regions often flaunted federal laws and by so doing, imposed explicit costs and negative externalities on other regions. The desire of the federal authorities to find conditions acceptable to troublemaking regions led inevitably

²⁶ McLure, Wallich and Litvack (1997?) report that by mid 1992 some twenty regions and by mid 1993 about thirty regions had unilaterally declared that they alone decided what portion of taxes their regions would share with the federal government, the so called “single channel” arrangement. Of course, these sharing rates were lower than those negotiated with the ministry of Finance.

to different forms of asymmetric fiscal federalism.²⁷ Regional assertiveness, especially on the side of the ethnic republics, was at peak aggression during 1992-93 as the President and the Supreme Soviet (Parliament) were involved in a power struggle. Although the ethnic republics were given some additional powers in the Federation Treaty of March 1992, these powers were taken away by the 1993 Constitution. However, on the other hand, the Constitution itself opened the door to new forms of asymmetric treatment by virtue of allowing bilateral treaties between the federation and the regional governments. But, it must be also noted that, to a large extent, the asymmetric federalism of those early years of the transition was *de facto*. Federal laws were disobeyed or ignored.²⁸ It did not help that the 1993 Constitution was ambiguous about fundamental questions including inalienable rights of the regions.²⁹ These important issues were left to be decided in practice. By allowing the federal government to enter into secret bilateral treaties with regional governments, the Constitution in 1993 legalized the practice of asymmetric federalism in Russia, and this became fact by the allegedly favorable treatment given in the first two treaties to the ethnic republics of Tatarstan and Bashkortostan.³⁰ This fits the view that the federal government provided systematically more advantages and privileges to the politically “difficult” regions to bribe the regional opposition and tame centrifugal forces in the country. In short, the pattern of results seems to show that Moscow has tended to reward rather than punish defiant regions. This type of response created, it has been argued, an asymmetric federalist system (Wallich 1994) starting from 1992.³¹ While in early 1992 just a few regions had stopped or greatly reduced remittances to the federal government, (Tatarstan, Chechnya, Sakha (Yakutia) and Bashkortostan), by the end of 1992 there were similar problems with 20 regions. By 1993, this number had increased to 30 regions (Wallich, 1994).

Asymmetric relations in 1994-97

The formal acceptance of asymmetric relations through bilateral treaties in the 1993 Constitution brought back some predictability and order to the system of

²⁷ It must be noted that asymmetric federalism was to some extent practiced in the Soviet Union since subnational budgets were customized on the basis of negotiated expenditure norms, “regulated” revenue sharing rates and bargained transfers. The most visible form of asymmetric treatment was the regulation of taxes which had the objective of reducing funding to richer regions. However, regulation was seen by many as the opportunity for the rich and powerful regions to benefit through their large bargaining power. In retrospect, at least in the early years of the transition, regulation of taxes led to a high degree of expenditures per capita across regions (Seer Martinez-Vazquez and Boex, 2001). But besides being an effective equalization tool, tax regulation presented many problems, among them creating perverse incentives for revenue mobilization.

²⁸ In particular, several important laws enacted in the early period of transition such as the *Law on the Foundations of the Tax System in the Russian Federation* of December 1991 were ignored by the regions (Wallich, 1994; Lavrov, 1998; and Igudin, 1998).

²⁹ See Teague (1996).

³⁰ Semi-formal because even though the special treatment were arranged in a formal treaty, the treaty documents for the most part remained secret.

³¹ Lavrov (1995) identifies a pattern in the early years of favoring the 21 ethnic republics over the other regions in the form of larger subsidies, permission to retain a higher share of tax collections, and special decrees granting economic benefits.

intergovernmental fiscal relations.³² While confrontations between the federal government and some regions continued to test the strength of the federation during this period, the nature of these confrontations tended to shift from centrifugal tensions toward a competition between regions for special recognition and favorable fiscal arrangements.

The Constitution itself declared all subjects of the Federation equal, although it also granted the ethnic republics special rights such as passing their own constitutions. However, the basic same rights in one form or another were also given to all the other regions later on.³³

While the bilateral treaties provided an official acknowledgement of regional power, the general pattern of behavior among the regions became less chaotic and threatening to Russia's unity. Of course, the very notable exception in all this was Chechnya. Another sign of the power of the regions during this period was the fact regional governments had absolute discretion to organize their relationships with their local governments.

One central feature of the asymmetric treatment of the regions during this period is that not all regions had a bilateral treaty with the federal government. In fact, growing resentment among mono-ethnic regions against the ethnic republics was rather apparent, and not surprising. In 1995 many other regional governments tried and succeeded in getting bilateral treaties with Moscow. Although concessions to some regions affected the bargaining that went on with other regions, not all treaties came out the same (Solnick, 1995).

Many observers have concluded that the problems with Russian federalism during these times were a manifestation of a weak federal government, the absence of cooperation between the center and the regions, and a "common pool" problem. This is a main theme in Blanchard and Shleifer (2000), Lavrov, Litwack and Sutherland (2000), and OECD (2000). Blanchard and Shleifer (2000), in particular, emphasized that the contrast between the "success" of China's transition versus the "failure" of Russia's lay in the fact that China was able to retain a strong political center. Mending the fiscal federalism problems of Russia required strengthening the political and institutional power of the center relative to the regions.³⁴ Russia would have to wait until the election of Vladimir Putin as president for a significant turnaround in the relationships between the center and the regions. But the situation may have involved more than a weak center. For example, de Figueiredo and Weingast (2001) have added that the problem with Russian federalism was also the lack of "appropriately defined limits on the central government." The federal government in Russia was in some way "too strong," given its ability to change rules and extract rents from the regions, which detracted from the benefits regions saw from participation in the federal relationship. From this perspective, solving the problem of non-cooperation in Russia required not only more power for the center but

³² Bilateral agreements covered issues on budgetary relations, state property, ownership and use of natural resources, regional migration and so on.

³³ Article 77 of the Constitution establishes the Subjects of the Russian Federation (all regions) will themselves determine their system of government but they need to follow the federal principles of legislative and executive powers, which indeed requires direct election of the executive head. Many of the ethnic republics were already electing their chiefs of the executive branch before the Constitution mandated all regions to do so.

³⁴ See also the discussion in Shleifer and Treisman (2000) and Martinez-Vazquez and Boex (2001).

simultaneously credible limits on the center, which had acted and could continue to act without self-restraint in the pursuit of its own interests.³⁵

Retreat from special treatments: Yeltsin 1998-99

Besides generating mistrust and resentment among the regions, the practice of the bilateral treaties in particular and asymmetric federalism in general had other significant costs. One of them was the mounting fiscal pressure on the federal budget increasingly noticeable during the first six months of 1998.³⁶ The conflicting budget demands at the regional and federal levels and the inability of the federal governments to collect revenues eventually meant a federal deficit as high as 10 percent of GDP. At the same time, both the federal and regional governments continued to borrow more heavily domestically and abroad. All levels of government also proceeded to accumulate payment arrears while they also became more frequent users of mutual settlements (non-cash offsets) and barter. The combination of increased deficits with tight money supply and fixed exchange rates led to the August 1998 crisis, with the devaluation and floating of the ruble and the default by the federal government in most of its domestic debt, which in turn precipitated a banking crisis.

The crisis of August 1998 provided an opportunity for the federal government to re-evaluate its policies on many fronts, including its budgetary relations with the regions. One of the issues examined was the role played in the crisis by the bilateral treaties. It became clear that the special fiscal treatment provisions in the treaties had contributed to the mounting fiscal pressures that eventually led to the crisis. Undoing the damage from bilateral treaties and the special deals proved to be difficult. Nevertheless, the retreat from asymmetric treatment clearly started in the late Yeltsin years by simply not all always complying with the provisions in the treaties. At this time, the federal government also started the serious recentralization of fiscal resources.³⁷ These efforts involve the introduction of deeper tax reforms, including eventually a Tax Code, a Budget Code, the Law on the Financial Foundations of Local Self-Government, and the “Concept of Reform of Inter-Governmental relations in the Russian Federation for 1999-2001.” For example, another law, the *Law on the Principles for the Demarcation of Jurisdictions and Powers*, enacted in June 1999, clearly restated the supremacy of the federal constitution, federal legislation, and federal decrees over regional constitutions, legislation, and decrees. One clear feature of all of these documents was the new willingness of the federal government to intervene in the fiscal arrangements between the regional governments and their local governments.

The Putin Era: 2000-02

³⁵ For example, at the start of the transition the federal government dumped expenditure responsibilities on the regions without adequate funding. The federal government has continued to control basically all tax and regulatory powers. The regions depend on the center for most of their budget funding and therefore are subject to the whims of federal authorities.

³⁶ See, for example, World Bank (2001).

³⁷ See Martinez-Vazquez and Boex (2001).

President Putin came to power in 2000 with what now seems a clear mandate to control the regional governments and re-assert the role of the federal authorities. For example, the chief prosecutor's office declared in May 2000 that there were 60 regions with local laws seriously contradicting federal laws, including the regional charters or constitutions. Putin's appointed chief prosecutor in June 2000 gave the regions one month to synchronize their laws with the federal laws. And this was just the beginning

Following his election to the presidency in March 2000, Putin indeed took a number of steps to strengthen the federal position in relation to the regional governments. In May 2000, he issued a decree that divided Russia into seven groups of regions, each with a presidential envoy to monitor regional legislation and ensure that regional administrations were abiding by federal laws. Furthermore, the State Duma approved legislation that gave the Russian president power to suspend regional legislation that conflicted with federal law, as well as power to dismiss regional governors if their actions were judged to be in violation of federal statutes. The makeup of the Federation Council, the upper chamber of Parliament, was redone by replacing the governors with regional representatives elected by the regional legislatures. In the past, the regional governors as members of the Federation Council had often played an obstructionist role. These legal changes gave the federal authorities effective instruments even to deal with the most recalcitrant regions, excluding, of course, the war in Chechnya. The best evidence that the federal government has regained much authority is that Tatarstan is adopting amendments to its constitution to bring it closer in line with the Russian Constitution and other legislation.³⁸ But not all is clear; Bashkortostan, even under pressure from Moscow, is holding on to its declaration of sovereignty and its President Murtaza Rakhimov has run a third time for office on the "sovereignty" platform.³⁹

Putin's administration continued the re-centralization of revenues that had started in the late years of the Yeltsin administration. Following his election to the presidency, Putin managed to get four chapters of the second part of the Tax Code approved by the State Duma, which had a profound impact on the regional finances. Subnational government turnover taxes, which provided a substantial level of own-source revenues for local and regional governments, were substantially reduced and are scheduled to be eliminated. The overhaul of the personal income tax reduced subnational revenues.

5. HOW WELL DID IT WORK: CURE OR POISON?

Given the significant differences among Russia's regions, including different demands for fiscal and even political autonomy, and the extremely weak institutions at the federal level, allowing an asymmetric decentralization was the right thing to do. But what is interesting about Russia's experience with asymmetric federalism is that its practice was not at first a voluntary or conscious policy process by the federal authorities. Instead, as we saw above, differences in treatment and asymmetric policies were forced into the system by the unilateral actions of some regional governments. After a while, asymmetric federalism was formally adopted in the December 12, 1993 Constitution as an explicit and deliberate policy of the federal government. In recent years, the trend has

³⁸ See "Russian Regional Report " EastWest Institute Vol 7, No. 7 20 Feb 2002).

³⁹ See Russian Regional Report of the EastWest Institute (Vol 7, No.12, March 27,2002)

been reversed: deliberate efforts have been made to eliminate the most important manifestations of asymmetric federalism in Russia.

The difficult question is whether asymmetric federalism was a cure for Russian national frailties or a poison of the national body politic. The answer? It was probably both a cure and a poison at different times in the transition. Initially the asymmetric treatment of regions served as a cure to the enormous centrifugal forces in operation in Russia at the start of the transition, even the Chechnyan problem was not alleviated. The positive results took place during a period when the federal institutions were weak and unable to enforce the laws (Solnick, 1995). The fear of being unable to enforce universal rules may have caused the federal government to consider bilateral negotiations a superior solution. Moscow's strategy to buy the consent from the regions to a large extent had been imposed by the circumstances and was the only democratic way out. We need to recall that prior to the introduction of bilateral treaties, Moscow was having a hard time holding the country together. There were constant separatist threats and resistance, at times outright opposition, to federal policies by a group of regional governments. The bilateral treaties had the strategic effect of weakening any coordinated action and demands by the ethnic republics that had been most antagonistic to Moscow. The treaties are also widely acknowledged as having prevented the secession of some of those ethnic republics, such as Tatarstan.⁴⁰

The net impact of asymmetric federalism in the first half of the transition decade was likely to rein in the powerful centrifugal forces that existed in Russia at that time.⁴¹ It is, of course, hard to know how things would have developed if different decisions were made at the time. For example, the conflict in Chechnya had without doubt a profound impact on the scope and depth of other regions' demands. Thus, the moderating effects of asymmetric federalism may have resulted from how Moscow handled the Chechnya conflict. From early on, many in Moscow appeared to view the conflict in Chechnya as the line on the sand for the future viability of the Russian Federation. The supporters of armed intervention emphasized the need to bring the secessionist leadership to heel to prevent the breakup of the entire country (Lapidus, 1999).

But what had been a solution to serious problems soon turned into a serious problem itself. Asymmetric treatment of what were supposed to be equal "subjects of the federation" fast gave rise to resentment, lack of solidarity and non-cooperative behavior among the regions leading to a situation akin to the tragedy of the commons.⁴² A weakened federal government was unable to stop this process. By 1995-96, asymmetric federalism was increasingly poisoning the national fabric. Because of asymmetric

⁴⁰ In the words of long-standing Tatarstan President, Mintimer Shaimiyev, the push toward sovereignty and even the flaunting of the Russian Constitution in the first years of the transition defused Tatarstan's seething nationalist sentiment (New York Times 3/9/00). That produced much better results than Chechnya's attempt to break away by armed resistance. See also the discussions in Treisman (1996) and Freinkman et. al. (1998).

⁴¹ However, not everyone agrees on the effectiveness of the practiced asymmetric federalism. In the view of Polishchuk (1996) and Ordeshook (1995) the Russian political system failed to accommodate the diverse economic and political interests in the regions, which led during the Yeltsin years to more political conflict and economic instability than was necessary.

⁴² For example, the Governor of Krasnoyarsky Kray, Valery Zubov during the 1997 meeting of the Siberian Agreement Association decried the lack of equal status of all regions in fiscal matters (Moscow News no. 20, May 22-28, 1997, page 7).

federalism, practically all regions had an incentive to deviate from cooperative behavior and press for special treatment with the federal authorities or try to take matters in their own hands, such as illegally retaining federal revenues.⁴³ Large and sustained federal budget deficits, the inability of the federal government to impose fiscal discipline, and the financial crisis of 1998 for many observers were all associated with the form of fiscal federalism being practiced. The privileged treatment of some regions was an important flaw in Russia's federalism that had to be changed. Increasingly, disparities grew in the quality and quantity of public services across the national territory.⁴⁴ In this respect, the dilemma the Russian government faces is a familiar one to any country trying to develop its regions in a balanced way. Maintaining living standards in all regions actually may retard overall economic development. Perhaps a more important manifestation of the inadequate performance of the system was the extensive failure to harmonize regional and national interests. The sense was that a variety of regions and their governors were willing to inflict high costs on the rest of the country for minimal gains to themselves.

It was not long after the crisis of August 1998 that a consensus arose about the need to retreat from the asymmetric treatment of the regions and to rein in regional governors. Although this was tried in the late years of the Yeltsin administration, late 1998 and 1999, it did not happen until the election of Vladimir Putin as president

6. WHAT DOES THE FUTURE HOLD?

Russia's new system of fiscal federalism will continue to evolve. The Russian Federation is still a very young country and its system of fiscal decentralization reflects that fact. Of course, international trends affect Russia as much as they do other countries. One of these trends is globalization. As some Russian regions increase their commercial links with other parts of the world, the value of the domestic market and other common domestic institutions will be diminished for these regions resulting in more centrifugal pressures especially in the far-flung areas such as the Far East, the Caucasus and the Northwest.⁴⁵ On the other hand, international trade raises the federal government leverage through its control of customs, pipelines, railroads, and so on. Thus for example the shipment of (landlocked) Tatarstan oil is entirely in the hands of the federal authorities. In the past, Moscow has refused issuing import-export licenses to companies headquartered in troubled regions or threaten to close the oil pipelines. On the domestic front, there are several important issues that will take main stage in the immediate future. How these issues are addressed will very much define Russia's fiscal federalism in the decades to come.⁴⁶

⁴³ Some of these issues are discussed in Eckardt (2002).

⁴⁴ See Martinez-Vazquez and Boex (2001) for a discussion of the increasing disparities in public services.

⁴⁵ For the time being the main beneficiary of globalization and foreign direct investment has been the Moscow region, city and oblast. Of course, it is not likely that either of these two regional governments will adapt a separatist agenda.

⁴⁶ The Russian Federation should also benefit from new generations of better prepared leaders, in particular regional governors. The story told in the Economist (November 7, 1998) about Edward Rossel, the popular and ubiquitous governor of Sverdlovsk oblast, is quite telling in this regard. When Rossel went to Finland in 1998, he provided a series of economic prescriptions for his oblast and Russia that included "printing money solely for the use of industry" and "banning the use of dollars for commercial transactions."

The first issue is asymmetric federalism and the status of the bilateral treaties. After several years of Putin's administration, as we discussed in the previous section, the need for asymmetric federalism has been put into question. When running for the presidential office in early 2000, Putin was clear about his intentions to restore and strengthen the authority of the federal government over the regions. This election promise has been kept. Nowadays most regions ceased to act from a "what can we get" perspective and have begun to ask "what can we keep" from the concessions won during past seven to eight years. The regional mavericks are in retreat,⁴⁷ but are far from defeated.⁴⁸ How has this reversal in powers affected the bilateral treaties? The official view in Moscow during the Putin administration years has been that the bilateral treaties are an important impediment for the rationalization and reform of intergovernmental fiscal relations in Russia. While some regional governors renounced their bilateral treaties with Moscow soon after Putin had made public his opposition to them,⁴⁹ others have adamantly refused to give them up. Not surprisingly, ethnic regions and richer regions have kept their treaties with Moscow alive.⁵⁰ In his annual address on April 2002 to the State Duma President Putin clearly reiterated his position that the bilateral treaties signed "behind the backs" of the other regions have outlived their usefulness, bringing unjustified differences among Russian citizens. He also made the point that if any of these treaties stay, they should be approved by the State Duma so that "everyone knows who has what preferences and why."

The second issue is the growing fiscal disparity and if national solidarity has the strength to address this issue. It is likely that economic disparities will continue to increase because of the selected sites for domestic and foreign investment and because of the concentration of natural resources. In turn, pressure on the federal budget to redress the imbalances will also increase. Inevitably, regardless of the form of the equalization system, the additional resources will have to come from the better-off regions. The question is how much tolerance these regions will exhibit toward poorer regions, which in some cases may be perceived as inefficient or even corrupt. Without support from the richer regions, it will become harder for the federal government to undertake effective equalization. On the other hand, growing disparities and cores of poverty will pose political risks, especially in the regions in the periphery of the country. Putin's popularity and his ability to maintain good relations with the regions and the State Duma may stave

⁴⁷ President Mintimer Saimiyev of Tatarstan, one of the leading regional governors in declaring sovereignty, was quoted as saying "From the beginning Tatarstan was the pioneer (in demands from the center)...and now it will be the first to make corrections..." (*New York Times* 3/9/2000, page 8). Tatarstan, like some other regions in Russia, had put itself during the Yeltsin years above federal laws, by introducing taxes beyond those allowed in the federal laws, restricting domestic trade, or rigging regional elections.

⁴⁸ Bringing the regions into compliance with federal laws has brought all kind of resistance. For example, the Buryatia regional parliament (the People's Hural) has argued repeated times that there should not be automatic conformation of the regional laws to federal law since some regional laws are better than the federal ones.

⁴⁹ As of April 2002, 28 of the 42 bilateral treaties concluded between Moscow and the regions in the 1994-98 period had been annulled.

⁵⁰ Prominent defenders of the treaties include President Rakhimov of Bashkortostan, President Shaimiev of Tatarstan, and Moscow Mayor Luzhkov. See EastWest Institute Russian Regional Report (Vol. 7, No. 28, 27 September 2002).

off these tendencies for some time. However, the underlying problem of increasing economic disparities is unlikely to go away and could flare up at any time.

The third issue is whether the federal government will intervene any further in the re-structuring of the relationships between regional and local governments. The current administration continues to stress its strong support for local governments. The federal government has worked on several proposals providing separate assignments at the local level. How these will translate into concrete legislation on fiscal issues, such as separate revenue and expenditure assignments or mandated formula transfers, it remains to be seen. Of course, these changes, if approved, would weaken the current grip of the regional governments and governors over local governments. But because it is a federation and because of sheer size and complexity, Russia is not likely to follow on the footsteps of Ukraine where, in the recent past, national legislation took away all powers regional governments had over local governments, effectively creating separate budget structures.

The fourth issue is whether the federal government will push for the administrative-political reform of the regions themselves. The consolidation of the current regions into fewer regions, which would not only reduce administrative costs but could also help address the need for asymmetric arrangements and for fiscal equalization, is an issue being discussed. For example, the mayor of Moscow, Luzhkov has frequently talked about the need to drastically reduce the current number of regions. In the Yeltsin era, some proposals were discussed at the federal level on the reduction of the number of regions. This has also been a theme during Putin's tenure. In particular, there have been a series of proposals originating at the State Duma about either allowing regions to merge on a voluntary basis or forcing them to merge. The most repeated proposal is the elimination of the existing ten autonomous okrugs and one autonomous oblast, and their assimilation by the surrounding regions (oblasts and krays.) Recently, the creation by President Putin of the seven federal districts (federalnye okruga) headed by directly appointed polpredy (or plenipotentiaries) was interpreted by many as the first step toward the consolidation of the regions. However, even more recently, President Putin has made it clear that he does not want the federal districts to develop into "quasi-states or quasi-republics."⁵¹ The polpredy (federal districts) are being used thus far to deconcentrated federal power⁵² and exercise more active and effective supervision of the regions' actions.⁵³

An important recent development in fiscal federalism has been the appointment by President Putin of a high level commission in 2001, which became known as the Kozak Commission,⁵⁴ for redefining and reforming intergovernmental fiscal relations in Russia. The Commission issued recommendations in September of 2002⁵⁵ but President Putin decided to send the recommendations to the State Council for further consideration

⁵¹ See Interfax June 2000

⁵² The functions discussed for the polpredy include the monitoring of financial flows and the approval of federal personnel appointments in the regional offices of the federal ministries.

⁵³ For example, the Far Eastern polpredy Konstantin Pulikowskii is said to have been quite instrumental in securing the resignation of Primorskii Kray governor Yevgenii Nazdratenko in February 2001

⁵⁴ Dmitrii Kozak is deputy head of the Administration of the President of the Russian Federation. Deputy Chief of Staff in the present government.

⁵⁵ Officially, the commission was supposed to have submitted its findings and proposals in early summer 2002. The deadline was moved to the middle of September.

before sending any bills to the parliament (State Duma).⁵⁶ The recommendations appear to cover the whole spectrum of IGR issues. Among other things the findings of the Kozak Commission include the need to adequately fund each level of government according to the expenditure responsibilities they have been assigned. This may be interpreted as more money for subnational governments, in particular local governments getting more autonomy for local taxes such as property, land, water, and income. The increase in revenue autonomy will not negate the need for transfers since only a tiny minority of Russia's 13,000 local governments can be considered surplus jurisdictions (have enough money to meet or exceed their present expenses with current revenue assignments).⁵⁷ One of the most divisive issues is the reassignment of revenues for taxes from natural resources. This has been a hotly debated issue in 2002. The Kozak Commission report appears to argue that these revenues should be re-centralized and then redistributed more fairly among the regions.⁵⁸ Furthermore, the Commission recommends the abandonment of the so-called "two key" practice, which requires that federal and regional governments must provide exploitation licenses for natural resources, for full and exclusive federal control. No need to describe the opposition this has brought from natural resource-rich regions.

7. CONCLUSION

Intergovernmental fiscal relations have played a major role in the process of nation-building in Russia over the last decade and asymmetric federalism has been a significant feature of the intergovernmental relations design. There is a disagreement among observers and scholars on how effective asymmetric federalism has been. Some see asymmetric federalism as the most effective tool the federal government could have used to subdue powerful centrifugal forces and the replication of the Chechnya problem in other regions of the Russian Federation. For other observers asymmetric federalism was a mistake, which has made more difficult the process of nation-building of the Russian Federation.

Both views, if not in their extreme forms, are justified, one more than the other depending on which period of the transition is under discussion. Asymmetric treatment and the potential lack of fairness associated with it was not truly a problem when national preservation and unity was the main issue in the early years of the transition. Given the very conflictive nature of intergovernmental fiscal relations and the heavy demands and acts of defiance by a number of regions in those early years, the adoption of, or more appropriately said, the consensual asymmetric approach to fiscal decentralization was wise. It probably was also effective in containing a variety of secessionist movements and the replication of the Chechnyan tragedy. Asymmetric federalism helped significantly to glue the country together in the early years.

⁵⁶ The State Council is a consultative body whose membership includes Putin and Russia's 89 governors.

⁵⁷ This is according to Oleg Sysuev, the president of the Congress of Local Governments as reported in the EastWest Institute Russian Regional Report (Vol. 7, No. 28, 27 September 2002) When tax sharing rates were "regulated" in the early years of the transition it was not uncommon to let local governments keep 100 percent of all taxes collected in the jurisdiction, including the main taxes such as VAT and income taxes. Even then it was necessary to implement subsidies or transfers.

⁵⁸ Currently, six regions receive close to half of the revenues from the exploitation of natural resources.

As the separatist threat from regions other than Chechnya significantly decreased and the political friction and economic difficulties of the asymmetric treatment of regions became more pronounced and obvious, most of the country rightly demanded a simpler, more transparent and fair design of intergovernmental fiscal relations. Asymmetric federalism, or at least the brand of asymmetric federalism developed in Russia in the early years of the transition had contributed to the 1998 debt crisis and had eroded national solidarity and a national purpose. Thus, the early cure had become poison.

It appears the current mood in the majority of the country is that there is a need to undo the excesses of asymmetric federalism and prevent the chaotic situations created by the demands from a group of aggressive regions. Putin's ability to win the Presidency and his continuous popularity to some extent have resulted from his declared goal of ending the process of national disintegration. Until recently, regions were asking more and more loudly what the Russian Federation provided for them and whether they could be better off outside the Russian Federation. That question is not often heard in Russia these days. The country is more united and has regained a measure of sense of purpose. Asymmetric federalism will continue to be in retreat in Russia, at least for some years to come.

However, the President's popularity will not last forever, nor can a "strong presidency" be the permanent answer to Russia's regional complexities. The regions will need to feel confident that federal powers will not be abused, that their rights will be protected. This will require further improvements in the legal framework, as well as more fiscal autonomy for the regions to raise their own revenues. There will also be a need for fair and transparent mechanisms to solve the disputes between the regions and the federal government (for example, a strengthened and independent constitutional court).

Russia has made a remarkable journey over the past decade. It has returned from the brink of disintegration and chaos to become a vibrant young democracy. The challenge for the future remains, however: to find the appropriate balance between the rights of the regions, including respect for and acceptance of their diversity; and a federal government capable of enforcing the law and protecting and defending common national interests. I, for one, am optimistic that the Russian people will rise to the challenge.

REFERENCES

Ahrend, Rudiger. (2000). "Speed of Reform, Initial Conditions, Political Orientation, or What? Explaining Russian Regions' Economic Performance." RECEP. Working paper No.2. (March). Moscow.

Bahl, Roy, Galina Kourliandskaia, John Mikesell, Sally Wallace, Natalia Golovanova, Dmitry Shiskin, Andre Timofeev, Alexander Derugin, Yelena Nikolayenko, Inna Verbina and Natatsha Minkova (1998) "Intergovernmental Fiscal Relations in Leningrad Region," Georgia State University Consortium Russian Fiscal Reform Project, Moscow.

Berkowitz, Daniel and David N. DeJong (1998) "Russia's Internal Borders," mimeograph. University of Pittsburgh.

Bird, Richard M., Robert D. Ebel, and Christine I. Wallich, editors (1996) *Decentralization of the Socialist State: Intergovernmental Finances in Transition Economies*. The World Bank, Washington D.C.

Bird, Richard M. and Francois Vaillantcourt (2001), "Reconciling Diversity with Equality: The Role of Intergovernmental Fiscal Arrangements in Maintaining an Effective State in Canada," (in this volume).

Blanchard, Olivier and Andrei Shleifer, (2000), "Federalism with and without Political Centralization: China versus Russia," Working Paper, M.I.T.

Broadman, Harry G. and Francesca Recanatini (2001). "Where Has All the Foreign Investment Gone in Russia?" (processed) The World Bank.

De Figueiredo, Rui J.P. and Barry R. Weingast (2001), "Constructing Self-Enforcing Federalism in the Early United States and Modern Russia", manuscript (January).

De Melo, Martha and Gur Ofer (1999). "The Russian City in Transition: The First Six Years in 10 Volga Capitals." Public Economics, Development Research Groups. The World Bank. Washington D.C.

Eckardt, Sebastian (2002). "Russia's Market Distorting Federalism: Decentralization, Governance, and Economic Performance in Russia in the 90s." Arbeitspieri des Osteuropa-Institut der Freien Universitat Berlin. Heft 42

Heleniak, Timothy(1997). "Internal Migration in Russia during the Economic Transition," *Post-Soviet Geography and Economics*, vol. 38:2, pp 81-104.

Kempton, Daniel R. (1999)."Budgetary Politics in the Russian Federation: The Case of Skha (Yakutia)." *International Journal of Public Administration*, 22 (9 and 10) pp. 1345-85.

Kurlyandskaya, Galina (2001). "Budgetary Pluralism of Russian Authorities." Discussion Paper No.17. Local Government and Public Service Reform Initiative. Open Society Institute.

Lapidus, Gail W. (1998). "Contested Sovereignty: The Tragedy of Chechnya." *International Security*. Summer Vol 2:1; pp5-45.

Lapidus, Gail W. (1999). "Asymmetrical Federalism and State Breakdown in Russia." *Post-Soviet Affairs* 15:1, pp.74-82.

Lavrov, Aleksei, John M. Litwack, and Douglas Sutherland (2000), "Fiscal Federalist Relations in Russia: A Case for Subnational Autonomy," Working Paper. OECD, Paris, France.

Lynn, Nicholas J. and Alexei V. Novikov (1997). "Refederalizing Russia: Debates on the Idea of Federalism in Russia." *Publius: The Journal of Federalism* 27:2 (Spring) pp 187-203.

McAuley, A. (1997). "The Determinants of Russian Federal – Regional Fiscal Relations: Equity or Political Influence?" *Europe-Asia Studies* 49, no.3, pp 431-444.

McLure, Charles E., Jr., Christine I. Wallich, and Jennie I. Litvack (1996) "Special Issues in Russian Federal Finance: Ethnic Separatism and Natural Resources." In Bird, Richard, Robert Ebel and Christine Wallich (eds.) *Decentralization of the Socialist State*. The World Bank. Washington D.C.

OECD (2000), *Economic Surveys: The Russian Federation*, Paris: Organization for Economic Co-operation and Development.

Polishchuck, Leonid (2000) "Legal Initiatives in Russian regions: Determinants and Effects." (mimeo) IRIS, University of Maryland.

Popov, Vladimir (2002). "Fiscal Federalism in Russia: Rules versus Electoral Politics," (mimeo) Institute of European and Russian Studies, Carleton University.

Shleifer, Andrei and Daniel Treisman (2000), *Without a Map: Political Tactics and Economic Reform in Russia*. Cambridge: M.I.T. Press.

Solanko, Laura. (1999). "Regional Budgets and Intergovernmental Transfers in Russian North and Northwest Regions." Bank of Finland. Institute for Economies in Transition (BOFIT). Helsinki

Solnick, Steven L. (1995) "Federal Bargaining in Russia," *East European Constitutional Review* 4 (4): 52-58

- Stepan, Alfred. (1999). "Federalism and Democracy: Beyond the U.S. Model." *Journal of Democracy*. Vol 10:4 pp19-34.
- Stewart, Kitty (1996) "Are Intergovernmental Finances in Russia Equalizing?" mimeograph, Department of Economics, European University Institute (September).
- Sutherland, Douglas and Philip Hanson (1996) "Structural Change in the Economies of Russia's Regions," *Europe-Asia Studies* 48 (3): 367-392
- Teague, Elizabeth (1996) "Russia and the Regions: The Uses of Ambiguity," in John Gibson and Philip Hanson, editors, *Transformation from Below: Local Power and the Political Economy of Post-Communist Transition*, Edgard Elgar, Cheltenham U.K.
- Speckhard, C. (1998). "The Political Economy of Institutional Asymmetry in the Russian Federation, 1990-1998." Mimeo, University of Texas in Austin.
- Treisman, Daniel (1996) "The Politics of Intergovernmental Transfers in Post-Soviet Russia," *The British Journal of Political Science* 26: 299-335.
- Treisman, Daniel (1999) "Corruption and Federalism," Working Paper UCLA.
- Treisman, Daniel (2000) *After the Deluge: Regional Crises and Political Consolidation in Russia*. Ann Arbor: University of Michigan Press.
- Wallich, Christine (1994), *Russia and the Challenge of Fiscal Federalism*. Washington D.C.: The World Bank.
- World Bank (2001) "Russian Federation Fiscal Federalism and Regional Fiscal Reform Loan" World Bank . Washington D.C.(July).

TABLE 1
Key Features of Russia's Regions in Area Averages*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	Percent Area (%)	Percent Population (%)	Percen t GDP (%)
Russia	17,075.4	145,925	8.5	2,402,280	16.3	100.0	100.0	100.0
1 Northern Area	1,466.3	5,668	3.9	110,383	19.1	8.59	3.88	4.59
2 North-Western Area	197.1	7,898	40.1	126,866	15.9	1.15	5.41	5.28
3 Central Area	484.0	29,361	60.7	615,670	20.8	2.83	20.12	25.63
4 Volgo-Vyatsk Area	265.4	8,292	31.2	97,686	11.7	1.55	5.68	4.07
5 Central-Chernozem Area	167.7	7,781	46.4	87,858	11.2	0.98	5.33	3.66
6 Povolzhsk Area	536.4	16,805	31.3	240,021	14.2	3.14	11.52	9.99
7 North-Caucasia Area	374.4	17,677	47.2	148,653	8.4	2.19	12.11	6.19
8 Ural Area	824.0	20,321	24.7	306,038	15.0	4.83	13.93	12.74
9 West-Siberia Area	2,427.2	15,040	6.2	356,823	23.6	14.21	10.31	14.85
10 East-Siberia Area	4,122.8	8,973	2.2	158,566	17.5	24.14	6.15	6.60
11 Far-Eastern Area	6,231.0	7,160	1.1	153,717	21.0	36.49	4.91	6.40
Max	3 103.2	8,631	8 631.0	362,520	62.7	18.17	5.91	15.09
Min	0.6	18	0.0	1,053	3.4	0.00	0.01	0.04

* Source: Goskomstat

TABLE 2
Population, Russia and Subjects of Russian Federation, 1986-2000,
Selected Years Population (thousand people)¹

	1986		1992		1994		1996		1998		2000	
	Number	Percent Share (%)	Number	Percent Share (%)	Number	Percent Share (%)	Number	Percent Share (%)	Number	Percent Share (%)	Number	Percent Share (%)
Russian Federation	143,835	100.0	148,704	100.0	148,366	100.0	147,976	100.0	147,105	100.0	145,925	100.0
1 Northern Area	5,959	4.1	6,136	4.1	6,023	4.1	5,889	4.0	5,785	3.9	5,668	3.9
2 North-Western Area	8,091	5.6	8,270	5.6	8,136	5.5	8,052	5.4	7,989	5.4	7,898	5.4
3 Central Area	29,821	20.7	30,363	20.4	30,099	20.3	29,883	20.2	29,651	20.2	29,361	20.1
4 Volgo-Vyatsk Area	8,372	5.8	8,503	5.7	8,483	5.7	8,444	5.7	8,376	5.7	8,292	5.7
5 Cental-Chernozem Area	7,702	5.4	7,762	5.2	7,840	5.3	7,880	5.3	7,846	5.3	7,781	5.3
6 Povolzhsk Area	16,035	11.1	16,641	11.2	16,808	11.3	16,920	11.4	16,886	11.5	16,805	11.5
7 North-Caucasia Area	16,347	11.4	17,246	11.6	17,518	11.8	17,738	12.0	17,707	12.0	17,677	12.1
8 Ural Area	19,882	13.8	20,475	13.8	20,465	13.8	20,461	13.8	20,406	13.9	20,321	13.9
9 West-Siberia Area	14,364	10.0	15,122	10.2	15,093	10.2	15,128	10.2	15,109	10.3	15,040	10.3
10 East-Siberia Area	8,834	6.1	9,260	6.2	9,200	6.2	9,144	6.2	9,071	6.2	8,973	6.1
11 Far-Eastern Area	7,581	5.3	8,032	5.4	7,788	5.2	7,505	5.1	7,336	5.0	7,160	4.9
Max	8,740.0	6.1	8,957.0	6.0	8 793.0	5.9	8,664.0	5.9	8,629.0	5.9	8,631.0	5.9
Min	21.0	0.0	25.0	0.0	23.0	0.0	20.0	0.0	20.0	0.0	18.0	0.0

¹ First primary sources of the information are population censuses. Estimation for current year is based on the latest population census adjusted by adding number of people born and moved in to the territory and subtracting number of people who died and moved out from the territory.

TABLE 3
Changes in Population: Natural Increase and Migration,
Percentage Gained or Lost, 1991-1999, Area Averages for
Subjects of Russian Federation

	Natural Increase, Percent (%)	Migraion Percent (%)
Russian Federation	-3.3	2.1
1 Northern Area	-1.9	-5.1
2 North-Western Area	-6.7	2.5
3 Central Area	-6.6	3.6
4 Volgo-Vyatsk Area	-4.3	2.5
5 Cental-Chernozem Area	-6.0	6.8
6 Povolzhsk Area	-3.0	4.6
7 North-Caucasia Area	-0.7	4.7
8 Ural Area	-2.6	2.3
9 West-Siberia Area	-1.8	1.8
10 East-Siberia Area	-0.4	-1.8
11 Far-Eastern Area	0.7	-10.7
Max	17.1	33.6
Min	-8.7	-57.8

Table 4**Ten Outliers Among Subjects of Russian Federation According to
Change in Population Due to Natural Increase, and Migration in
1991-1999**

Change in Population due to Natural Increase

Rank		Natural Increase	Migration
1	Dagestan	12.6	1.8
2	Chukotsky AO	7.8	-57.8
3	Ingushetiya	7.8	0.4
	Yamalo Nenetsky		
4	AO	7.3	-6.3
5	Sakha Resp	6.4	-17.3
85	Novgorodskaya	-7.6	5.1
	Leningradskaya		
86	Obl	-7.6	8.3
87	Tulskaya Obl	-8.2	3.5
88	Tverskaya	-8.2	4.9
89	Pskovskaya	-8.7	4.8

Change in Population due to Migration

Rank		Natural Increase	Migration
1	Belgorod	-5.3	11.8
2	Krasnodar	-4.4	11.4
	Kaliningradskaya		
3	Obl	-3.6	10.8
4	Stavropol	-1.9	9.5
	Leningradskaya		
5	Obl	-7.6	8.3
85	Koryaksky AO	1.7	-26.7
86	Evenkiysky AO	4.1	-28.1
87	Chechnya	1.8	-29.1
88	Magadanskaya Obl	3.4	-40.2
89	Chukotsky AO	7.8	-57.8

TABLE 5
Area Averages of Russian and Aboriginal Population Shares by Region, 1989
(in percent, %)

	Russians	Aboriginals	Other¹
Russian Federation	88.3	8.0	3.6
1 Northern Area	89.5	6.2	4.2
2 North-Western Area	97.6	0.0	2.4
3 Central Area	98.4	0.0	1.6
4 Volgo-Vyatsk Area	79.2	18.7	2.0
5 Cental-Chernozem Area	97.4	0.0	2.6
6 Povolzhsk Area	78.9	16.9	4.2
7 North-Caucasia Area	76.1	22.6	1.3
8 Ural Area	83.0	10.8	5.4
9 West-Siberia Area	95.1	1.0	4.0
10 East-Siberia Area	86.3	8.0	5.7
11 Far-Eastern Area	85.5	4.9	9.7
Max	100.0	80.2	28.4
Min	19.8	0.0	0.0

¹ Others may include Ukrainians, Belorussians, Tatars, Armenians, Germans, Jews and other nationalities which are not Russians and not Aboriginals.

TABLE 6
Distances between the Capital of the Region and Moscow
and between Local Time and Moscow Time¹

	Distance between the Capital of the Region and Moscow , km	Difference between Local Time and Moscow Time, hours
Russian Federation	2,633	2
1 Northern Area	1,378	0
2 North-Western Area	649	0
3 Central Area	237	0
4 Volgo-Vyatsk Area	721	0
5 Cental-Chernozem Area	561	0
6 Povolzhsk Area	1,100	0
7 North-Caucasia Area	1,770	0
8 Ural Area	1,558	2
9 West-Siberia Area	3,014	3
10 East-Siberia Area	5,303	5
11 Far-Eastern Area	9,355	8
	Max	12,866.0
	Min	0.0

¹ For Russian Fedearion and Areas averages for included regions are used

TABLE 7
Gross Regional Product per Capita
Russian Federation and Average of Subjects of Russian Federation, 1998
(Current Rub and Ratio to Mean)

	GRP per capita,	Ratio to Mean
Russian Federation	16,330	1.00
1 Northern Area	19,081	1.17
2 North-Western Area	15,880	0.97
3 Central Area	20,764	1.27
4 Volgo-Vyatsk Area	11,663	0.71
5 Cental-Chernozem Area	11,198	0.69
6 Povolzhsk Area	14,214	0.87
7 North-Caucasia Area	8,395	0.51
8 Ural Area	14,997	0.92
9 West-Siberia Area	23,617	1.45
10 East-Siberia Area	17,481	1.07
11 Far-Eastern Area	20,954	1.28
Max	62,661	3.8
Min	3,365	0.2

TABLE 8
Regional Personal Income Per Capita, 1985, 1990, 1995, 1999,
Ratio to the Russian Mean

	1985	1990	1995	1999
Russian Federation	1.00	1.00	1.00	1.00
1 Northern Area	1.19	1.12	1.17	1.04
2 North-Western Area	1.04	1.06	1.07	0.93
3 Central Area	1.07	1.12	1.54	1.74
4 Volgo-Vyatsk Area	0.92	0.88	0.67	0.58
5 Cental-Chernozem Area	0.90	0.87	0.67	0.66
6 Povolzhsk Area	0.92	0.91	0.71	0.75
7 North-Caucasia Area	0.77	0.81	0.57	0.61
8 Ural Area	0.92	0.91	0.78	0.78
9 West-Siberia Area	1.10	1.10	1.15	1.12
10 East-Siberia Area	0.98	0.94	1.01	0.87
11 Far-Eastern Area	1.30	1.28	1.24	1.07
Max	2.18	2.12	3.50	4.26
Min	0.57	0.60	0.23	0.23

Table 9
Top 5 and Bottom 5 Regions in Terms of the Cost of Minimum Regional Subsistence Levels for Adults,
(Ratios to Russian Federation, 1995 and 1999)

1995			1999		
Rank	Region	Ratio to Russian Federation	Rank	Region	Ratio to Russian Federation
1	Chukotskiy AO	2.54	1	Koryakskiy AO	3.21
2	Magadanskaya oblast	2.14	2	Chukotskiy AO	3.09
3	Sakha (Yakutia) republic	2.13	3	Magadanskaya oblast	2.32
4	Kamchatskaya oblast	1.92	4	Sakha (Yakutia) republic	1.91
5	Sakhalinskaya oblast	1.87	5	Taymyrskiy AO	1.73
84	Tatarstan republic	0.70	84	Belgorodskaya oblast	0.75
85	Kurskaya oblast	0.70	85	Tambovskaya oblast	0.75
86	Voronezhskaya oblast	0.69	86	Kalmykia republic	0.75
87	Tambovskaya oblast	0.63	87	Tatarstan republic	0.68
88	Ulyanovskaya oblast	0.58	88	Ulyanovskaya oblast	0.68

Table 10
Annual Growth in Real Gross Regional Product per Capita
(In percent)

	1995	1996	1997	1998
Russian Federation ¹	-4.7	-4.0	0.5	-7.0
1 Northern Area ²	-2.4	-22.5	-0.6	1.9
2 North-Western Area	-3.5	-1.3	-2.0	1.2
3 Central Area	-7.6	2.6	8.0	-0.3
4 Volgo-Vyatsk Area	-12.1	-11.9	2.7	-10.1
5 Cental-Chernozem Area	-0.9	-16.3	-3.2	-3.8
6 Povolzhsk Area	-5.6	-3.1	0.9	-13.3
7 North-Caucasia Area	-2.0	-7.6	-3.9	-1.7
8 Ural Area	-5.3	-9.3	-1.9	-12.0
9 West-Siberia Area	6.4	5.6	-5.1	-14.5
10 East-Siberia Area	-5.5	-10.1	-0.3	-8.9
11 Far-Eastern Area	-15.6	0.1	2.7	-6.3
Max	16.8	32.4	23.4	22.7
Min	-39.7	-31.1	-17.7	-22.0

¹ Sum of GDP for all regions

² Weighted averages are used in the calculation of the areas' real GRP per capita

Table 11
Russian Cumulative FDI

	Cumulative Inflows of FDI, 1995-99 (000 US dollars)	Percent Share of Total Cumulative FDI, 1995-99 (%)	Gross Regional Product, (millions of Rubles), 1998	Percent GRP Shares, 1998 (%)
Russian Federation	17,617,399	100.0	2,402,284	100.0
Northern Area	210,388	1.2	110,384	4.6
North-Western Area, of which:	1,496,673	8.5	126,866	5.3
St.-Petersburg	939,919	5.3	89,781	3.7
Leningradskaya oblast	466,512	2.6	21,171	0.9
Central Area, of which	10,056,471	57.1	615,671	25.6
Moscow City	7,764,822	44.1	362,520	15.1
Moskovskaya oblast	1,718,335	9.8	100,612	4.2
Volgo-Vyatsk Area	168,316	1.0	97,686	4.1
Central-Chernozem Area	107,843	0.6	87,858	3.7
Povolzhsk Area, of which	806,012	4.6	240,022	10.0
Samarskaya oblast	404,728	2.3	72,662	3.0
North-Caucasia Area, of which	854,272	4.8	148,655	6.2
Krasnodarskiy krai	704,377	4.0	53,732	2.2
Ural Area, of which	701,946	4.0	306,038	12.7
Sverdlovskaya oblast	279,973	1.6	80,675	3.4
Chelybinskaya oblast	201,371	1.1	47,110	2.0
West-Siberia Area, of which	855,174	4.9	356,824	14.9
Novosibirskaya oblast	371,813	2.1	35,231	1.5
Tyumenskaya oblast	326,389	1.9	201,206	8.4
East-Siberia Area	153,799	0.9	158,565	6.6
Far-Eastern Area, of which	1,975,023	11.2	153,715	6.4
Primorskiy krai	215,507	1.2	31,473	1.3
Magadanskaya oblast	202,284	1.1	6,735	0.3
Sakhalinskaya oblast	1,295,874	7.4	13,100	0.5

Source: Goskomstat

Table 12

Tax Sharing Arrangements

	Law on Basic Principles Of Taxation, 1991		1992, Q1		1992 Q2-Q4		1993		1994 Q1		1994 Q2-Q4		1995		1996		1997		1998		1999 Q1		1999 Q2-Q4		2000		2001		2002	
	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re	Fe	Re
VATa	100	0	ad hoc negot.		80	20	80-50	20-50	75	25	75	25	75	25	75	25	75	25	75	25	75	25	85	15	85	15	100	0	100	0
Profit Tax	0	100 ^b	47	53	41	59	31	69	37-34 ^c	63-66 ^c	37-34 ^c	63-66 ^c	34	66	34	66	34	66	34	66	37	63	37	63	37	63	31	69 ¹	31	69 ²
Personal Income Tax	0	100 ^b	0	100	0	100	0	100	0	100	0	100	10	90	10	90	0	100	40	60	14	86 ³	14	86	16	84	1	99	0	100
Excise on alcohol	50	50	50	50	50	50	50	50	50	50	100	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Energy	--	--	100	0	100	0	100	0	100	0	0	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0
Excises on domestic	--	--	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	10	0	100	0	10	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100

Source: Modified and updated from Fiscal Management in Russia, World Bank, 1996

¹ In 2001 a local EPT rate of 5% was introduced; the regional share, therefore, also includes the local 5%.

² In 2002 a local EPT rate was 2%, the regional share includes the local 2%.

³ Regional share is taken as equal to average.

TABLE 13
Main Features of Regional Taxes in Russian Federation, 2000

	Total tax collections regional share in regional + local %	EPT business rate ¹	EPT bank rate ²	Sales tax Rate ³	Enterprise assets tax rate ⁴
Northern Area					
1 Karelia republic	44.5	19.0	27.0	5.0	2.0
2 Komi republic	54.3	19.0	27.0	5.0	2.0
3 Arkhangelskaya oblast	32.8	19.0	27.0	0.0	1.8
4 Nenetskiy AO	82.0	19.0	27.0	5.0	2.0
5 Vologodskaya oblast	52.2	19.0	27.0	2.0	1.8
6 Murmanskaya oblast	45.5	19.0	27.0	4.0	2.0
North-Western Area					
7 St.-Petersburg	98.2	19.0	22.0	5.0	2.0
8 Leningradskaya oblast	47.5	18.0	18.0	0.0	2.0
9 Novgorodskaya oblast	29.3	9.5	17.5	5.0	2.0
10 Pskovskaya oblast	38.2	19.0	27.0	5.0	2.0
Central Area					
11 Bryanskaya oblast	28.2	19.0	27.0	5.0	2.0
12 Vladimirskaya oblast	26.7	19.0	27.0	5.0	2.0
13 Ivanovskaya oblast	25.2	19.0	27.0	4.0	2.0
14 Kaluzhskaya oblast	25.7	19.0	27.0	0.0	2.0
15 Kostromskaya oblast	30.1	19.0	27.0	5.0	2.0
16 Moscow City	100.0	19.0	27.0	4.0	2.0
17 Moskovskaya oblast	35.8	19.0	27.0	5.0	2.0
18 Orlovskaya oblast	57.6	19.0	27.0	5.0	2.0
19 Ryazanskaya oblast	36.7	19.0	27.0	0.0	2.0
20 Smolenskaya oblast	30.3	19.0	27.0	5.0	2.0
21 Tverskaya oblast	43.4	19.0	27.0	5.0	2.0
22 Tulsкая oblast	37.5	19.0	27.0	5.0	2.0
23 Yaroslavskaya oblast	36.2	19.0	27.0	5.0	1.8
Volgo-Vyatsk Area					
24 Mari-El republic	36.2	19.0	27.0	5.0	2.0
25 Mordovia republic	60.5	19.0	27.0	5.0	2.0
26 Chuvashia republic	38.6	19.0	27.0	5.0	2.0
27 Kirovskaya oblast	41.8	19.0	27.0	5.0	2.0
28 Nizhegorodskaya oblast	41.9	19.0	27.0	5.0	2.0
Cental-Chernozem Area					
29 Belgorodskaya oblast	41.5	19.0	27.0	5.0	2.0
30 Voronezhskaya oblast	23.9	19.0	27.0	5.0	2.0
31 Kurskaya oblast	54.6	19.0	27.0	5.0	2.0
32 Lipetskaya oblast	51.9	19.0	27.0	5.0	2.0

TABLE 13
Main Features of Regional Taxes in Russian Federation, 2000

	Total tax collections regional share in regional + local %	EPT business rate ¹	EPT bank rate ²	Sales tax Rate ³	Enterprise assets tax rate ⁴
33 Tambovskaya oblast	53.9	19.0	27.0	5.0	2.0
Povolzhsk Area					
34 Kalmykia republic	58.6	19.0	25.0	5.0	2.0
35 Tatarstan republic	63.5	19.0	27.0	3.0	2.0
36 Astrakhanskaya oblast	49.3	19.0	27.0	5.0	2.0
37 Volgogradskaya oblast	41.6	19.0	27.0	5.0	1.8
38 Penzenskaya oblast	43.3	19.0	27.0	5.0	2.0
39 Samarskaya oblast	55.1	19.0	27.0	5.0	2.0
40 Saratovskaya oblast	38.4	19.0	27.0	5.0	2.0
41 Ulyanovskaya oblast	39.0	19.0	27.0	5.0	2.0
North-Caucasia Area					
42 Adygeya republic	45.2	19.0	27.0	5.0	2.0
43 Dagestan republic	45.5	19.0	27.0	5.0	2.0
44 Ingushetiya republic	94.8	n.a.	n.a.	0.0	2.0
45 Chechnya	n.a.	n.a.	n.a.	0.0	n.a.
46 Kabardino-Balkaria republic	39.6	19.0	27.0	5.0	2.0
47 Karachaevo- Cherkesskaya republic	35.6	n.a.	n.a.	n.a.	n.a.
48 Northern Osetia (Alania) republic	34.4	n.a.	n.a.	n.a.	n.a.
49 Krasnodarskiy krai	33.3	19.0	27.0	5.0	2.0
50 Stavropolskiy krai	38.9	19.0	27.0	5.0	2.0
51 Rostovskaya oblast	37.1	19.0	27.0	5.0	2.0
Ural Area					
52 Bashkortostan republic	61.4	19.0	27.0	5.0	2.0
53 Udmurtia republic	36.5	19.0	27.0	4.0	2.0
54 Kurganskaya oblast	23.3	19.0	27.0	5.0	2.0
55 Orenburgskaya oblast	63.2	19.0	27.0	5.0	2.0
56 Permskaya oblast	43.0	19.0	27.0	5.0	2.0
57 Komi-Permyatskaya AO	49.6	19.0	27.0	2.0	1.8
58 Sverdlovskaya oblast	38.3	19.0	27.0	5.0	2.0
59 Chelybinskaya oblast	47.0	19.0	19.0	5.0	2.0
West-Siberia Area					
60 Altay republic	28.0	19.0	27.0	5.0	2.0
61 Altayskiy krai	16.1	19.0	27.0	5.0	2.0
62 Kemerovskaya oblast	33.7	19.0	27.0	5.0	2.0
63 Novosibirskaya oblast	42.1	19.0	27.0	5.0	2.0
64 Omskaya oblast	55.5	19.0	27.0	5.0	2.0
65 Tomskaya oblast	39.7	19.0	27.0	0.0	2.0
66 Tyumenskaya oblast	76.9	19.0	27.0	5.0	2.0

TABLE 13
Main Features of Regional Taxes in Russian Federation, 2000

	Total tax collections regional share in regional + local %	EPT business rate ¹	EPT bank rate ²	Sales tax Rate ³	Enterprise assets tax rate ⁴
67 Khanty-Mansiyskiy AO	45.1	19.0	19.0	0.0	2.0
68 Yamalo-Nenetskiy AO	50.4	19.0	27.0	0.0	1.8
East-Siberia Area					
69 Buryatia republic	32.3	19.0	27.0	5.0	2.0
70 Tuva republic	32.2	n.a.	n.a.	n.a.	n.a.
71 Khakassiya republic	42.6	19.0	27.0	4.0	2.0
72 Krasnoyarskiy krai	42.2	19.0	27.0	0.0	2.0
73 Taymyrskiy AO	64.9	n.a.	n.a.	n.a.	n.a.
74 Evenkiyskiy AO	38.2	n.a.	n.a.	n.a.	n.a.
75 Irkutskaya oblast	36.2	19.0	27.0	5.0	2.0
Ust-Ordynskiy					
76 Buryatskiy AO	21.1	n.a.	n.a.	n.a.	n.a.
77 Chitinskaya oblast	45.5	19.0	27.0	5.0	2.0
Aginskiy Buryatskiy					
78 AO	31.8	n.a.	n.a.	n.a.	n.a.
Far-Eastern Area					
Sakha (Yakutia)					
79 republic	66.6	19.0	27.0	5.0	2.0
80 Yevreyskaya AO	38.6	19.0	27.0	5.0	2.0
81 Chukotskiy AO	0.0	n.a.	n.a.	n.a.	n.a.
82 Primorskiy krai	33.2	19.0	27.0	5.0	2.0
83 Khabarovskiy krai	48.0	19.0	27.0	3.0	2.0
84 Amurskaya oblast	49.1	19.0	27.0	3.0	2.0
85 Kamchatskaya oblast	44.0	n.a.	n.a.	n.a.	n.a.
86 Koryakskiy AO	29.0	n.a.	n.a.	n.a.	n.a.
87 Magadanskaya oblast	16.0	19.0	27.0	2.0	5.0
88 Sakhalinskaya oblast	28.6	19.0	27.0	2.0	5.0
89 Kaliningradskaya Obl	38.0	19.0	25.0	2.0	0.0
Max	100.0	19.0	27.0	5.0	5.0
Min	16.0	9.5	17.5	0.0	0.0

¹Maximum rate for collecting in regional budgets is 19%

²Maximum rate for collecting in regional budgets is 27%. Besides banks in this categories intermediaries, insurers, exchanges, brokerages, and other credit institutions are included.

³Maximum rate for collecting in regional budgets is 5%.

⁴Maximum rate for collecting in regional budgets is 2%.

Table 14
Federal Direct Expenditures
in Subjects of Russian Federation, 1998

1998	Population (000)	FedDir Exp per cap, Rub	FedDir Exp Total, (000) Rub
Russian Federation	147,105	731	107,605,984
Northern Area	5,785	526	3,043,922
1 Karelia	776	482	374,032
2 Komi	1,161	997	1,157,517
3 Arkhangelskaya Obl	1,445	461	665,906
4 Nenetsky AO	47	974	45,778
5 Vologotskaya Obl	1,339	241	322,699
6 Murmanskaya OBL	1,017	470	477,990
North-Western Area	7,989	500	3,998 013
7 St Petersburg	4,749	629	2,987,121
8 Leningradskaya Obl	1,682	324	544,968
9 Novgorodskaya Obl	738	288	212,544
10 Pskovskaya	820	309	253,380
Central Area	29,651	2,057	60,988,759
11 Bryanskaya Obl	1,465	714	1,046,010
12 Vladimirskaya Obl	1,631	267	435,477
13 Ivanovskaya Obl	1,246	315	392,490
14 Kaluzhskaya Obl	1,094	462	505,428
15 Kostromskaya Obl	797	364	290,108
16 Moscow	8,629	6,074	52,412,546
17 Moscow Obl	6,564	339	2,225,196
18 Orlov Obl	907	660	598,620
19 Ryazan Obl	1,307	380	496,660
20 Smolenskaya Obl	1,157	278	321,646
21 Tverskaya	1,633	323	527,459
22 Tulsкая Obl	1,786	734	1,310,924
23 Yaroslavskaya Obl	1,435	297	426,195
Volgo-Vyatsk Area	8,376	280	2,342,736
24 Mariy El	763	298	227,374
25 Mordoviya	944	410	387,040
26 Chuvashiya	1,359	262	356,058
27 Kirovskaya Obl	1,613	264	425,832
28 Nizhegorodskaya	3,697	256	946,432
Cental-Chernozem Area	7,846	315	2,474,648
29 Belgorod	1,484	337	500,108

Table 14
Federal Direct Expenditures
in Subjects of Russian Federation, 1998

1998	Population (000)	FedDir Exp per cap, Rub	FedDir Exp Total, (000) Rub
30 Voronezh	2,486	302	750,772
31 Kursk	1,336	397	530,392
32 Lipetsk	1,248	274	341,952
33 Tambov	1,292	272	351,424
Povolzhsk Area	16,886	266	4,487,642
34 Kalmykiya	317	579	183,543
35 Tatarstan	3,774	107	403,818
36 Astrakhan	1,029	347	357,063
37 Volgograd	2,701	295	796,795
38 Penza	1,549	269	416,681
39 Samara	3,309	245	810,705
40 Saratov	2,724	421	1,146,804
41 Ulyanovskaya Obl	1,483	251	372,233
North-Caucasia Area	17,707	388	6,862,222
42 Adygeya	450	381	171,450
43 Dagestan	2,095	291	609,645
44 Ingushetiya	313	613	191,869
45 Chechnya	797	n.a.	n.a.
46 Kabardino-Balkarskaya	792	528	418,176
47 Karachaevo-Cherkesskaya	436	516	224,976
48 Alaniya	663	731	484,653
49 Krasnodar	5,075	285	1,446,375
50 Stavropol	2,682	305	818,010
51 Rostov	4,404	567	2,497,068
Ural Area	20,406	260	5,299,156
52 Bashkortostan	4,111	43	176,773
53 Udmurtiya	1,636	299	489,164
54 Kurgan	1,106	349	385,994
55 Orenburg	2,230	302	673,460
56 Perm	2,832	321	908,662
57 Komi-Permyatsky AO	154	440	67,760
58 Sverdlov	4,656	293	1,364,208
59 Chelyabinsk	3,681	335	1,233,135
West-Siberia Area	15,109	544	8,219,592
60 Altay	202	731	147,662
61 Altaysky Krai	2,672	323	863,056

Table 14
Federal Direct Expenditures
in Subjects of Russian Federation, 1998

1998	Population (000)	FedDir Exp per cap, Rub	FedDir Exp Total, (000) Rub
62 Kemerovskaya Obl	3,023	951	2,874,873
63 Novosibirskaya Obl	2,749	657	1,806,093
64 Omskaya Obl	2,179	344	749,576
65 Tomskaya	1,073	592	635,216
66 Tyumen	1,356	537	727,848
67 Khanty-Mansiysky AO	1,358	196	266,168
68 Yamalo Nenetsky AO	497	300	149,100
East-Siberia Area	9,071	470	4,258,988
69 Buryatiya	1,046	481	503,126
70 Tyva	310	634	196,540
71 Khakassiya	584	345	201,480
72 Krasnoyarsky Krai	3,016	467	1,409,156
73 Taimyrsky AO	44	1,336	58,784
74 Evenkiysky AO	20	3,603	72,060
75 Irkutskaya Obl	2,630	465	1,222,380
76 Byryatsky AO	144	180	25,920
77 Chitinskaya Obl	1,199	179	548,716
78 Aginsky AO	78	267	20,826
Far-Eastern Area	7,336	727	5,334,204
79 Sakha Resp	1,003	783	785,349
80 Evreyskaya Avt Obl	205	560	114,800
81 Chukotsky AO	81	2,939	238,059
82 Primorsky Krai	2,216	565	1,252,040
83 Khabarovskiy Krai	1,546	677	1,046,642
84 Amurskaya Obl	1,023	380	388,740
85 Kamchatskaya Obl	365	1,184	432,322
86 Koryaksky AO	31	1,562	48,422
87 Magadanskaya Obl	246	1,305	321,030
88 Sakhalinskaya Obl	620	1,140	706,800
89 Kaliningradskaya Obl	943	314	296,102
Max	8 629	6,074	52,412,546
Min	20	43	20,826

Table 15
Executed Total Transfers to Regions for 1997-2000,
Planned Equalization Transfers for 2001, (000 Current Rub), and Regional Shares, Russia and Regions

	1997 ¹		1998		1999		2000		2001	
	Total	Percent Share (%)	Total	Percent Share (%)	Total	Percent Share (%)	Total	Percent Share (%)	Total	Percent Share (%)
Russian Federation	36,076,529	100.0	26,982,573	100.0	44,415,103	100.0	65,683,354	100.0	90,430,398	100.0
1 Northern Area	951,685	2.6	972,611	3.6	1,337,117	3.0	2,219,859	3.4	2,207,666	2.4
2 North-Western Area	1,200,274	3.3	730,690	2.7	1,083,963	2.4	1,579,343	2.4	2,216,091	2.4
3 Central Area	4,824,125	13.3	2,698,203	10.0	4,788,192	10.8	7,750,702	11.8	10,431,548	11.3
4 Volgo-Vyatsk Area	2,365,394	6.5	1,441,433	5.3	2,433,732	5.5	2,552,314	3.9	5,013,809	5.4
5 Cental-Chernozem Area	1,470,193	4.1	951,745	3.5	1,768,926	4.0	2,223,207	3.4	3,302,801	3.6
6 Povolzhsk Area	2,654,818	7.3	1,919,319	7.1	2,686,343	6.0	3,295,345	5.0	4,818,460	5.2
7 North-Caucasia Area	6,499,136	18.0	5,766,562	21.4	9,866,039	22.2	13,965,098	21.3	20,612,228	22.8
8 Ural Area	1,742,492	4.8	1,273,856	4.7	1,695,813	3.8	1,991,825	3.0	2,479,502	2.7
9 West-Siberia Area	5,069,274	14.0	3,961,793	14.7	5,813,714	13.1	7,661,153	11.6	11,031,684	12.0
10 East-Siberia Area	2,413,281	6.7	2,296,029	8.5	4,152,312	9.3	7,454,078	11.3	8,707,739	9.4
11 Far-Eastern Area	6,661,508	18.4	4,970,332	18.4	8,510,621	19.1	14,572,554	22.1	18,971,945	20.6
Max	1,838,827	5.1	1,491,394	5.5	2,878,355	6.5	4,998,161	7.6	7,495,647	8.1
Min	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

¹000 000 Current Rub

Table 16
Executed Total Transfers to Regions for 1997-2000, and Planned Equalization Transfers for 2001, Per Capita (Current Rub), Russia and Regions

	1997 ¹	1998	1999	2000	2001 ²
Russian Federation	236.5	173.1	284.2	428.7	619.7
1 Northern Area	163.0	168.1	233.2	391.6	389.5
2 North-Western Area	149.6	91.5	136.2	200.0	280.6
3 Central Area	162.1	91.0	162.1	264.0	355.3
4 Volgo-Vyatsk Area	281.2	172.1	291.7	307.8	604.7
5 Cental-Chernozem Area	186.8	121.3	226.2	285.7	424.5
6 Povolzhsk Area	157.1	113.7	159.3	196.1	286.7
7 North-Caucasia Area	300.2	239.9	403.2	613.2	1166.0
8 Ural Area	85.3	62.4	83.2	98.0	122.0
9 West-Siberia Area	335.8	262.2	384.9	509.4	733.5
10 East-Siberia Area	264.8	253.1	459.8	830.7	970.4
11 Far-Eastern Area	897.7	677.5	1173.6	2035.3	2649.7
Max	6,853.3	4,721.6	7,062.4	24,015.5	12,516.9
Min	0.0	0.0	0.0	0.0	0.0

¹000 Current Rub

²Population for year 2000 used for calculation

TABLE 17
Share of Transfers in Total Executed Subnational Revenues,
Subjects of Russian Federation, 1997-2000, Current Rub

	1997			1998			1999			2000		
	Total	Transfer	Percent Tr/Tot	Total	Transfer	Percent Tr/Tot	Total	Transfer	Percent Tr/Tot	Total	Transfer	Percent Tr/Tot
Russian Federation	427,122,792	36,076,529	8.4	406,294,021	26,982,573	6.6	721,409,402	44,415,103	6.2	1,037,931,423	65,683,354	6.3
1 Northern Area	18,822,837	951,685	5.1	18,280,367	972,611	5.3	34,886,927	1,337,117	3.8	67,496,645	2,219,859	3.3
2 North-Western Area	20,292,078	1,200,274	5.9	23,089,174	730,690	3.2	37,820,984	1,083,963	2.9	221,597,292	1,579,343	0.7
3 Central Area	99,813,307	4,824,125	4.8	92,280,239	2,698,203	2.9	155,028,345	4,788,192	3.1	63,434,393	7,750,702	12.2
4 Area Volgo-Vyatsk Cental-	17,001,109	2,365,394	13.9	16,876,353	1,441,433	8.5	26,374,508	2,433,732	9.2	28,231,091	2,552,314	9.0
5 Chernozem Area	13,881,845	1,470,193	10.6	14,146,197	951,745	6.7	21,946,130	1,768,926	8.1	29,355,841	2,223,207	7.6
6 Povolzhsk Area	46,524,745	2,654,818	5.7	43,042,423	1,919,319	4.5	70,545,532	2,686,343	3.8	114,173,995	3,295,345	2.9
7 Area North-Caucasia	26,038,405	6,499,136	25.0	26,724,740	5,766,562	21.6	45,185,148	9,866,039	21.8	55,321,638	8,965,098	25.2
8 Ural Area	51,580,098	1,742,492	3.4	51,475,444	1,273,856	2.5	92,175,852	1,695,813	1.8	90,926,100	1,991,825	2.2
9 West-Siberia Area	76,037,688	5,069,274	6.7	69,113,050	3,961,793	5.7	121,369,075	5,813,714	4.8	160,669,399	7,661,153	4.8
10 East-Siberia Area	24,047,626	2,413,281	10.0	22,919,270	2,296,029	10.0	49,233,106	4,152,312	8.4	79,945,846	7,454,078	9.3
11 Far-Eastern Area	31,257,096	6,661,508	21.3	26,610,736	4,970,332	18.7	63,607,614	8,510,621	13.4	123,318,800	14,572,554	11.8
Max	55,154,934	1,838,827	66	50,233,805	1,491,394	100	87,690,467	2,878,355	75	195,851,481	4,998,161	962
Min	123,533	0	0	94,710	0	0	208,781	0	0	377,581	0	0

APPENDIX

TABLE A-1
Key Features of Subjects of Russian Federation*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	% Area	% Population	% GDP
Russia	17,075.4	145,925	8.5	2,402,280	16.3	100.0%	100.0%	100.0%
Northern Area	1,466.3	5,668	3.9	110,383	19.1	8.59%	3.88%	4.59%
1 Karelia	172.4	766	4.4	11,306	14.6	1.01%	0.52%	0.47%
2 Komi	415.9	1,135	2.7	28,350	24.4	2.44%	0.78%	1.18%
3 Arkhangelskaya Obl	410.7	1,414	3.4	22,763	15.3	2.41%	0.97%	0.95%
4 Nenetsky AO	176.7	46	0.3	n.a.	n.a.	1.03%	0.03%	n.a.
5 Vologotskaya Obl	145.7	1,324	9.1	24,118	18.0	0.85%	0.91%	1.00%
6 Murmanskaya OBL	144.9	983	6.8	23,847	23.4	0.85%	0.67%	0.99%
North-Western Area	197.1	7,898	40.1	126,866	15.9	1.15%	5.41%	5.28%
7 St Petersburg	0.6	4,694	7,823.3	89,781	18.9	0.00%	3.22%	3.74%
8 Leningradskaya Obl	85.9	1,674	19.5	21,171	12.6	0.50%	1.15%	0.88%
9 Novgorodskaya	55.3	729	13.2	9,402	12.7	0.32%	0.50%	0.39%
10 Pskovskaya	55.3	801	14.5	6,512	7.9	0.32%	0.55%	0.27%
Central Area	484.0	29,361	60.7	615,670	20.8	2.83%	20.12%	25.63%
11 Bryanskaya Obl	34.9	1,443	41.3	11,884	8.1	0.20%	0.99%	0.49%
12 Vladimirskaya Obl	29.0	1,609	55.5	15,995	9.8	0.17%	1.10%	0.67%
13 Ivanovskaya Obl	21.8	1,222	56.1	9,050	7.3	0.13%	0.84%	0.38%
14 Kaluzhskaya Obl	29.9	1,081	36.2	10,916	10.0	0.18%	0.74%	0.45%
15 Kostromskaya Obl	60.1	786	13.1	8,882	11.1	0.35%	0.54%	0.37%
16 Moscow	1.0	8,631	8,631.0	362,520	42.0	0.01%	5.91%	15.09%
17 Moscow Obl	47.0	6,511	138.5	100,612	15.3	0.28%	4.46%	4.19%
18 Orlov Obl	24.7	899	36.4	10,246	11.3	0.14%	0.62%	0.43%

TABLE A-1
Key Features of Subjects of Russian Federation*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	% Area	% Population	% GDP
19 Ryazan Obl	39.6	1,284	32.4	14,186	10.9	0.23%	0.88%	0.59%
20 Smolenskaya Obl	49.8	1,133	22.8	12,234	10.6	0.29%	0.78%	0.51%
21 Tverskaya	84.1	1,602	19.0	17,747	10.9	0.49%	1.10%	0.74%
22 Tulsckaya Obl	25.7	1,746	67.9	19,051	10.7	0.15%	1.20%	0.79%
23 Yaroslavsckaya Obl	36.4	1,414	38.8	22,348	15.6	0.21%	0.97%	0.93%
Volgo-Vyatsk Area	265.4	8,292	31.2	97,686	11.7	1.55%	5.68%	4.07%
24 Mariy El	23.2	759	32.7	6,568	8.6	0.14%	0.52%	0.27%
25 Mordoviya	26.2	929	35.5	9,323	9.9	0.15%	0.64%	0.39%
26 Chuvashiya	18.3	1,357	74.2	12,123	8.9	0.11%	0.93%	0.50%
27 Kirovsckaya Obl	120.8	1,589	13.2	16,931	10.5	0.71%	1.09%	0.70%
28 Nizhegorodskaya	76.9	3,658	47.6	52,741	14.3	0.45%	2.51%	2.20%
Cental-Chernozem								
Area	167.7	7,781	46.4	87,858	11.2	0.98%	5.33%	3.66%
29 Belgorod	27.1	1,497	55.2	19,609	13.2	0.16%	1.03%	0.82%
30 Voronezh	52.4	2,459	46.9	23,907	9.6	0.31%	1.69%	1.00%
31 Kursk	29.8	1,316	44.2	16,827	12.6	0.17%	0.90%	0.70%
32 Lipetsk	24.1	1,240	51.5	17,043	13.7	0.14%	0.85%	0.71%
33 Tambov	34.3	1,269	37.0	10,472	8.1	0.20%	0.87%	0.44%
Povolzhsk Area	536.4	16,805	31.3	240,021	14.2	3.14%	11.52%	9.99%
34 Kalmykiya	76.1	316	4.2	1,704	5.4	0.45%	0.22%	0.07%
35 Tatarstan	68.0	3,779	55.6	67,700	17.9	0.40%	2.59%	2.82%
36 Astrakhan	44.1	1,024	23.2	10,773	10.5	0.26%	0.70%	0.45%
37 Volgograd	113.9	2,678	23.5	30,907	11.4	0.67%	1.84%	1.29%
38 Penza	43.2	1,531	35.4	11,131	7.2	0.25%	1.05%	0.46%

TABLE A-1
Key Features of Subjects of Russian Federation*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	% Area	% Population	% GDP
39 Samara	53.6	3,297	61.5	72,662	22.0	0.31%	2.26%	3.02%
40 Saratov	100.2	2,712	27.1	28,663	10.5	0.59%	1.86%	1.19%
41 Ulyanovskaya Obl	37.3	1,468	39.4	16,482	11.1	0.22%	1.01%	0.69%
North-Caucasia Area	374.4	17,677	47.2	148,653	8.4	2.19%	12.11%	6.19%
42 Adygeya	7.6	449	59.1	3,384	7.5	0.04%	0.31%	0.14%
43 Dagestan	50.3	2,149	42.7	8,652	4.1	0.29%	1.47%	0.36%
44 Ingushetiya	19.3	488	25.3	1,053	3.4	0.11%	0.33%	0.04%
45 Chechnya	12.5	574	45.9	n.a.	n.a.	0.07%	0.39%	n.a.
Kabardino- 46 Balkarskaya	14.1	792	56.2	6,361	8.0	0.08%	0.54%	0.26%
Karachaevo- 47 Cherkesskaya	8.0	435	54.4	2,854	6.5	0.05%	0.30%	0.12%
48 Alaniya	19.3	674	34.9	4,142	6.2	0.11%	0.46%	0.17%
49 Krasnodar	76.0	5,067	66.7	53,732	10.6	0.45%	3.47%	2.24%
50 Stavropol	66.5	2,691	40.5	28,591	10.7	0.39%	1.84%	1.19%
51 Rostov	100.8	4,358	43.2	39,886	9.1	0.59%	2.99%	1.66%
Ural Area	824.0	20,321	24.7	306,038	15.0	4.83%	13.93%	12.74%
52 Bashkortostan	143.6	4,117	28.7	64,191	15.6	0.84%	2.82%	2.67%
53 Udmurtiya	42.1	1,633	38.8	20,014	12.2	0.25%	1.12%	0.83%
54 Kurgan	71.0	1,097	15.5	9,684	8.8	0.42%	0.75%	0.40%
55 Orenburg	124.0	2,224	17.9	28,770	12.9	0.73%	1.52%	1.20%
56 Perm	127.7	2,814	22.0	55,594	18.6	0.75%	1.93%	2.31%
57 Komi-Permyatsky	32.9	152	4.6	n.a.	n.a.	0.19%	0.10%	n.a.

TABLE A-1
Key Features of Subjects of Russian Federation*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	% Area	% Population	% GDP
AO								
58 Sverdlov	194.8	4,612	23.7	80,675	17.3	1.14%	3.16%	3.36%
59 Chelyabinsk	87.9	3,672	41.8	47,110	12.8	0.51%	2.52%	1.96%
West-Siberia Area	2,427.2	15,040	6.2	356,823	23.6	14.21%	10.31%	14.85%
60 Altay	92.6	205	2.2	1,634	8.1	0.54%	0.14%	0.07%
61 Altaysky Krai	169.1	2,653	15.7	22,411	8.4	0.99%	1.82%	0.93%
62 Kemerovskaya Obl	95.5	2,987	31.3	45,644	15.1	0.56%	2.05%	1.90%
63 Novosibirskaya Obl	178.2	2,744	15.4	35,231	12.8	1.04%	1.88%	1.47%
64 Omskaya Obl	139.7	2,163	15.5	29,466	13.5	0.82%	1.48%	1.23%
65 Tomskaya	316.9	1,067	3.4	21,232	19.8	1.86%	0.73%	0.88%
66 Tyumen	161.8	1,358	8.4	201,206	62.7	0.95%	0.93%	8.38%
Khanty-Mansiysky								
67 AO	523.1	1,368	2.6	n.a.	n.a.	3.06%	0.94%	n.a.
68 Yamalo Nenetsky AO	750.3	495	0.7	n.a.	n.a.	4.39%	0.34%	n.a.
East-Siberia Area	4,122.8	8,973	2.2	158,566	17.5	24.14%	6.15%	6.60%
69 Buryatiya	351.3	1,035	2.9	11,167	10.7	2.06%	0.71%	0.46%
70 Tyva	170.5	311	1.8	1,847	6.0	1.00%	0.21%	0.08%
71 Khakassiya	61.9	581	9.4	8,192	14.0	0.36%	0.40%	0.34%
72 Krasnoyarsky Krai	710.0	2,978	4.2	71,548	23.2	4.16%	2.04%	2.98%
73 Taimyrsky AO	862.1	43	0.0	n.a.	n.a.	5.05%	0.03%	n.a.
74 Evenkiysky AO	767.6	18	0.0	n.a.	n.a.	4.50%	0.01%	n.a.
75 Irkutskaya Obl	745.5	2,604	3.5	52,620	19.0	4.37%	1.78%	2.19%
76 Byryatsky AO	22.4	144	6.4	n.a.	n.a.	0.13%	0.10%	n.a.
77 Chitinskaya Obl	412.5	1,180	2.9	13,191	10.3	2.42%	0.81%	0.55%

TABLE A-1
Key Features of Subjects of Russian Federation*

	Area (000 sq. km.), 2000	Population, (000 people), 2000	Population Density, (people per sq. km), 2000	GRP, (000 000 Rub), 1998	GRP per capita, (000 Rub), 1998	% Area	% Population	% GDP
78 Aginsky AO	19.0	79	4.2	n.a.	n.a.	0.11%	0.05%	n.a.
Far-Eastern Area	6,231.0	7,160	1.1	153 717	21.0	36.49%	4.91%	6.40%
79 Sakha Resp	3,103.2	977	0.3	33,375	33.3	18.17%	0.67%	1.39%
80 Evreyskaya Avt Obl	36.0	199	5.5	1,832	8.9	0.21%	0.14%	0.08%
81 Chukotsky AO	737.7	72	0.1	2,593	32.0	4.32%	0.05%	0.11%
82 Primorsky Krai	165.9	2,174	13.1	31,473	14.2	0.97%	1.49%	1.31%
83 Khabarovsky Krai	788.6	1,518	1.9	30,073	19.5	4.62%	1.04%	1.25%
84 Amurskaya Obl	363.7	1,006	2.8	14,739	14.4	2.13%	0.69%	0.61%
85 Kamchatskaya Obl	170.8	354	2.1	11,136	28.1	1.00%	0.24%	0.46%
86 Koryaksky AO	301.5	29	0.1	n.a.	n.a.	1.77%	0.02%	n.a.
87 Magadanskaya Obl	461.4	233	0.5	6,735	27.4	2.70%	0.16%	0.28%
88 Sakhalinskaya Obl	87.1	598	6.9	13,100	21.1	0.51%	0.41%	0.55%
Kaliningradskaya		949						
89 Obl	15.1		62.8	8,659	9.2	0.09%	0.65%	0.36%
Max	3,103.2	8,631	8,631.0	362,520	62.7	18.17%	5.91%	15.09%
Min	0.6	18	0.0	1 053	3.4	0.00%	0.01%	0.04%

* Source: Goskomstat

Table A-2
Annual Growth in Real Gross Regional Product per Capita

	(in percent)			
	1 995	1 996	1 997	1 998
Russian Federation¹	-4.7	-4.0	0.5	-7.0
Northern Area²	-2.4	-22.5	-0.6	1.9
1 Karelia republic	-13.8	-22.5	-3.1	-1.0
2 Komi republic	6.4	-25.4	8.9	-2.8
3 Arkhangel'skaya oblast	-14.0	-10.1	0.7	-5.4
4 Nenetskiy AO	n.a.	n.a.	n.a.	n.a.
5 Vologod'skaya oblast	13.3	-31.1	-9.6	5.6
6 Murmanskaya oblast	-10.0	-19.1	-1.9	14.6
North-Western Area	-3.5	-1.3	-2.0	1.2
7 St.-Petersburg	0.5	-1.3	0.2	2.7
8 Leningrad'skaya oblast	-11.0	-1.2	-7.4	-3.9
9 Novgorod'skaya oblast	-13.5	11.4	-8.3	10.1
10 Pskov'skaya oblast	-9.1	-12.9	-2.9	-11.4
Central Area	-7.6	2.6	8.0	-0.3
11 Bryanskaya oblast	-15.9	0.5	-13.1	-8.0
12 Vladimir'skaya oblast	-8.4	-16.5	0.5	-6.0
13 Ivanov'skaya oblast	-11.0	-6.9	-17.7	-2.2
14 Kaluzh'skaya oblast	-3.1	-17.8	-5.8	-9.5
15 Kostrom'skaya oblast	-6.5	-18.3	5.3	-7.6
16 Moscow City	-3.2	14.3	17.8	-1.7
17 Moskov'skaya oblast	-11.4	1.9	-2.0	11.4
18 Orlov'skaya oblast	-2.1	-13.6	-2.4	6.4
19 Ryazanskaya oblast	-11.9	-17.0	0.8	-13.6
20 Smolenskaya oblast	-16.9	-11.0	-2.6	-4.9
21 Tver'skaya oblast	-12.5	-14.1	-6.0	-0.1
22 Tuls'kaya oblast	-8.5	-13.9	-7.0	2.0
23 Yaroslavl'skaya oblast	-15.8	-14.5	-5.0	-1.4
Volgo-Vyatsk Area	-12.1	-11.9	2.7	-10.1
24 Mari-El republic	-17.2	-17.7	14.7	-7.3
25 Mordovia republic	-4.0	5.6	0.2	-6.8
26 Chuvashia republic	-10.3	-4.8	-5.6	-6.3
27 Kirov'skaya oblast	-2.8	-10.6	-1.7	-12.9
28 Nizhegorod'skaya oblast	-15.6	-15.7	5.4	-10.9
Central-Chernozem Area	-0.9	-16.3	-3.2	-3.8
29 Belgorod'skaya oblast	9.0	-18.2	-1.9	-0.5

¹ Sum of GDP for all regions is used for calculation

² For major areas weighted average is used for calculating real GRP per capita

Table A-2
Annual Growth in Real Gross Regional Product per Capita

	(in percent)			
	1 995	1 996	1 997	1 998
30 Voronezhskaya oblast	0.4	-15.3	1.6	-11.6
31 Kurskaya oblast	-8.2	-7.4	-1.5	1.0
32 Lipetskaya oblast	3.8	-24.3	-11.6	-3.6
33 Tambovskaya oblast	-16.6	-12.1	-5.0	1.7
Povolzhsk Area	-5.6	-3.1	0.9	-13.3
34 Kalmykia republic	-24.2	2.7	10.7	-11.4
35 Tatarstan republic	11.7	5.6	-2.3	-10.0
36 Astrakhanskaya oblast	-5.0	-2.0	0.8	-1.5
37 Volgogradskaya oblast	-18.5	1.9	-6.0	-14.5
38 Penzenskaya oblast	-15.3	6.0	-8.4	-19.2
39 Samarskaya oblast	-4.9	-8.5	7.5	-14.5
40 Saratovskaya oblast	-8.1	-15.8	7.1	-18.4
41 Ulyanovskaya oblast	-17.2	-4.3	-4.1	-11.9
North-Caucasia Area	-2.0	-7.6	-3.9	-1.7
42 Adygeya republic	-5.2	-8.6	1.8	3.4
43 Dagestan republic	-24.0	-1.5	23.4	-14.7
44 Ingushetiya republic	-17.5	-2.6	5.8	-15.2
45 Chechnya	n.a.	n.a.	n.a.	n.a.
46 Kabardino-Balkaria republic	3.9	17.1	-1.5	9.1
47 Karachaevo- Cherkesskaya republic	-13.5	1.7	-5.0	-9.5
48 Northern Osetia (Alania) republic	-6.2	-6.0	-6.9	5.4
49 Krasnodarskiy krai	-1.3	1.7	-13.3	1.4
50 Stavropolskiy krai	0.2	-16.3	0.1	-3.3
51 Rostovskaya oblast	0.2	-17.3	-0.8	-3.2
Ural Area	-5.3	-9.3	-1.9	-12.0
52 Bashkortostan republic	-1.3	-2.6	1.5	-14.8
53 Udmurtia republic	-12.5	1.0	-4.4	-12.9
54 Kurganskaya oblast	-17.8	-8.3	-6.0	-6.7
55 Orenburgskaya oblast	-17.5	-1.5	1.1	-17.2
56 Permskaya oblast	-0.5	-18.2	0.9	-4.0
57 Komi-Permyatskaya AO	n.a.	n.a.	n.a.	n.a.
58 Sverdlovskaya oblast	4.9	-19.4	-3.4	-6.1
59 Chelybinskaya oblast	-16.4	2.1	-6.4	-22.0
West-Siberia Area	6.4	5.6	-5.1	-14.5
60 Altay republic	-15.7	-4.5	-1.2	-1.2
61 Altayskiy krai	-11.5	-1.9	-13.1	-7.1
62 Kemerovskaya oblast	-3.5	-9.7	-15.0	-13.2
63 Novosibirskaya oblast	-6.7	-4.0	0.5	-17.3

Table A-2
Annual Growth in Real Gross Regional Product per Capita

	(in percent)			
	1 995	1 996	1 997	1 998
64 Omskaya oblast	10.1	-4.5	-1.5	-21.3
65 Tomskaya oblast	3.3	-3.3	0.0	-10.3
66 Tyumenskaya oblast	16.8	16.4	-4.1	-15.1
67 Khanty-Mansiyskiy AO	n.a.	n.a.	n.a.	n.a.
68 Yamalo-Nenetskiy AO	n.a.	n.a.	n.a.	n.a.
East-Siberia Area	-5.5	-10.1	-0.3	-8.9
69 Buryatia republic	-25.7	-15.0	4.0	-14.3
70 Tuva republic	-29.9	-5.6	-3.8	-3.1
71 Khakassiya republic	-22.8	-14.6	9.4	-10.2
72 Krasnoyarskiy krai	0.6	-9.4	-3.7	-1.9
73 Taymyrskiy AO	n.a.	n.a.	n.a.	n.a.
74 Evenkiyskiy AO	n.a.	n.a.	n.a.	n.a.
75 Irkutskaya oblast	0.7	-6.5	2.7	-15.7
76 Ust-Ordynskiy Buryatskiy AO	n.a.	n.a.	n.a.	n.a.
77 Chitinskaya oblast	-14.9	-19.7	-4.3	-9.2
78 Aginskiy Buryatskiy AO	n.a.	n.a.	n.a.	n.a.
Far-Eastern Area	-15.6	0.1	2.7	-6.3
79 Sakha (Yakutia) republic	-11.6	-6.0	-2.4	-3.6
80 Yevreyskaya AO	-27.4	-12.7	0.5	-5.2
81 Chukotskiy AO	1.4	32.4	-16.0	11.7
82 Primorskiy krai	-6.4	-9.4	0.0	-3.6
83 Khabarovskiy krai	-10.6	11.3	13.8	-15.6
84 Amurskaya oblast	-28.9	4.7	8.0	-16.9
85 Kamchatskaya oblast	-16.9	3.4	-9.7	22.7
86 Koryakskiy AO	n.a.	n.a.	n.a.	n.a.
87 Magadanskaya oblast	-39.7	21.6	2.3	-5.1
88 Sakhalinskaya oblast	-19.9	-0.1	10.5	-3.0
89 Kaliningradskaya oblast	-18.9	-1.7	-5.9	-8.8
Max	16.8	32.4	23.4	22.7
Min	-39.7	-31.1	-17.7	-22.0