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Ryazan Region Reportedly Heading to Bankruptcy

By Alexander Bratersky

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The news about the region's financial troubles comes amid speculation about Governor Oleg Kovalyov's deteriorating health, according to news reports.

The impoverished Ryazan region is on the verge of bankruptcy amid speculation about the governor's health prompted by his political opponents, a news report said Monday.

A source with the Ryazan region's legislature told Kommersant that the region is "heading straight to bankruptcy." The source added that the regional government's debt will amount to 22.3 billion rubles ($737.2 million) this year, accounting for 75 percent of the regional budget's revenues.

The region, which has a population of 1.14 million people, is a three-hour drive from Moscow, and most of its budget deficit is covered by federal subsidies. Its revenues come mostly from the oil refining and power industries.

The news about the region's financial troubles comes amid speculation about Governor Oleg Kovalyov's deteriorating health, Kommersant reported, citing Communist State Duma Deputy Vladimir Fedotkin.

Fedotkin was Kovalyov's only serious challenger in the gubernatorial elections in October. The incumbent governor, while largely unpopular, got more than 64 percent of the vote, which was marked by a low turnout and a lack of serious political competition.

Vladimir Krymsky, head of the regional branch of the left-wing Just Russia party, said that Kovalyov, who became governor in 2008, does not effectively govern the region.

But Olga Chulyaeva, a regional government spokeswoman, denied that Kovalyov's health has worsened. She also said that the region is not on the verge of bankruptcy.

The Finance Ministry has proposed that governors be responsible for their regions' financial woes. The country reintroduced gubernatorial elections under a law passed in April 2012, but federal ministers can propose that the president dismiss certain governors, according to a presidential decree published in January.

Under the law on gubernatorial elections, the president can remove regional leaders from office if a court rules that they are involved in a conflict of interest or corruption or fail to properly fulfill their duties.

Alexei Titkov of the Regional Politics Institute said Monday that federal authorities might use the dire financial situation to "send a warning sign" to the regional governor, but he would not be removed. "To replace a newly elected governor is to admit a mistake," Titkov said.

Konstantin Anglichanov, a senior expert at Fitch Ratings, said the situation with the Ryazan region's debt should not be dramatized. While the region's debt level is higher than in many other regions, the "debt portfolio is balanced enough."

"More than half of the region's debt consists of short-term bank loans," said Alexandra Balod, a senior analyst at Standard & Poor's. Balod said that a number of regions like Astrakhan and Smolensk "face similar risks."

"We expect the debt burden of all Russian regions to gradually increase in the next three years, and the Ryazan region's debt levels will likely remain higher than average," Balod said in an e-mail interview.

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