

Why Russia's National Projects went out in the Cold

Maria Engqvist

IN JULY 2020, the Kremlin put the brakes on its National Projects. President Putin ordered a budget cut and a government-led reorganisation. The National Projects are major policy implementation programs with generous state financing, ranging from transport and housing to healthcare. Why did Russia's political leadership so significantly halt the ambitious measures that could have boosted its popularity? Falling energy prices and the Covid-19 pandemic only partly explain the decision, but the most important answers are to be found within the Russian political system itself – the so-called 'power vertical' that has evolved under Vladimir Putin.

Since the early 2000s, National Projects have served as key instruments of Russian policy implementation. The projects have not only worked as popularity boosters for presidents Putin and Medvedev; they have addressed serious social and public health issues that are of great concern to the Kremlin and that it believes cannot be solved without the involvement of the state – issues such as Russia's demographical development.

In relation to Vladimir Putin's third presidential inauguration in 2018, the Russian government presented thirteen national projects, which would fulfil nine national goals. The projects enjoyed considerable prestige and received generous funding (originally \$400 billion over five years). The Russian leadership's idea was to carry out the National Projects in close cooperation with the private sector, and that private companies would help to fund them, in some cases up to 30 per cent. The idea, furthermore, was that these measures would boost Russia's economy at a macro level. The deadline to reach the national goals was originally set to 2024.

The meagre results of the National Projects in 2018–2020 demonstrated their inefficiency as domestic policy implementation instruments. Nor did they catch the attention of the Russian public. By mid-2019, not even half of Russia's population knew about the existence of the National Projects, according to a survey ordered by the Federation Council.

Neither the turbulence in Russian state finances caused by the crude oil price war with Saudi Arabia, nor the effects of the Covid-19 pandemic, contributed significantly to the limited outcomes of the National Projects. Prior to these events, prominent members of the Russian political and financial elite had already pointed out the main reasons why the implementation of the National Projects did not work according to schedule.

While implementing the National Projects, the Russian government clearly struggled to exercise its power. Both government and the state bodies overestimated the regional capability to cope with political projects of this size. Some National Projects disregarded basic physical preconditions (such as access to internet, or running water), which made many project goals impossible to fulfil from the start. Some projects contradicted existing budget jurisdictions, which sparked a common fear among regional civil servants of spending government funds earmarked for the National Projects. Breaking the law and risking indictment by a federal prosecutor in order to implement the projects were clearly not worth the risk. Unsurprisingly, the implementation of the National Projects was erratic across Russia's regions. For example, 79.2 percent of the funds allocated for the federal project 'Fight against oncological diseases', had been spent as of September 2019, but only in 17 of Russia's 85 regions. The members of the State Duma parliamentary working group responsible for the Health Care Project identified several difficulties in the implementation process. The published protocols from the working group meetings in 2019 concluded that federal authorities in Moscow who were responsible for the projects lacked correct information from their regional counterparts. Similar problems permeated both the Russian Empire and the Soviet Union, a trait of state management prevailing since Russia's vast territorial expansion in the 1700s.

Furthermore, Russia's financial elites were unenthusiastic. In June 2019, Sberbank's chief executive, German Gref, hosted a meeting for prominent political and financial figures – among them the head of Russia's Accounts

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Chamber, Alexei Kudrin; the current Health Care curator, Tatiana Golikova; the Minister of Finance, Anton Siluanov; and the former Minister of Economic Development, Maksim Oreshkin. In a digital questionnaire asking whether they believed that the National Projects would help stimulate Russia's economy, 78 per cent of the attendees responded "no". Large private companies were accordingly reluctant to co-finance the National Projects. Alexei Kudrin publicly criticised the planning and general framework of the National Projects. The core of Kudrin's critique was that the overall budget for the National Projects did not follow Russia's estimated GDP progress up to 2024, thus building on false financial premises from the very start.

In fairness, the National Projects have improved some of the specific areas they have addressed. The 'Health Care' project, for example, enabled regions to buy or rent new medical equipment that improved their strained situation slightly. However, this neither measurably improved

the general levels of Russian public health, nor reached the National Goals. The State Duma Health Care Project working group disclaimed during their sessions that more factors needed to be taken into consideration to improve Russian public health at a macro level, thus undermining the purpose of their own work.

The National Projects show that the Russian leadership does take a wide range of national policy areas, such as health care and public health, seriously. They also show, however, that the government cannot solve structural problems only by throwing money at them. An examination of the National Projects reveals that neither Russia's political system, its regional civil service, nor the private sector, are able (or willing) to absorb the Kremlin's grand visions. The National Projects therefore shows that the Russian political leadership appears unable to carry out its own policies. As it turns out, the 'power vertical' is not always that powerful. ■

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