

Chapter 5.

**NATIONAL PROJECTS AS MAIN GOALS
OF EXECUTIVE POWER**

5.1. The Reasons for the Launch of the National Projects

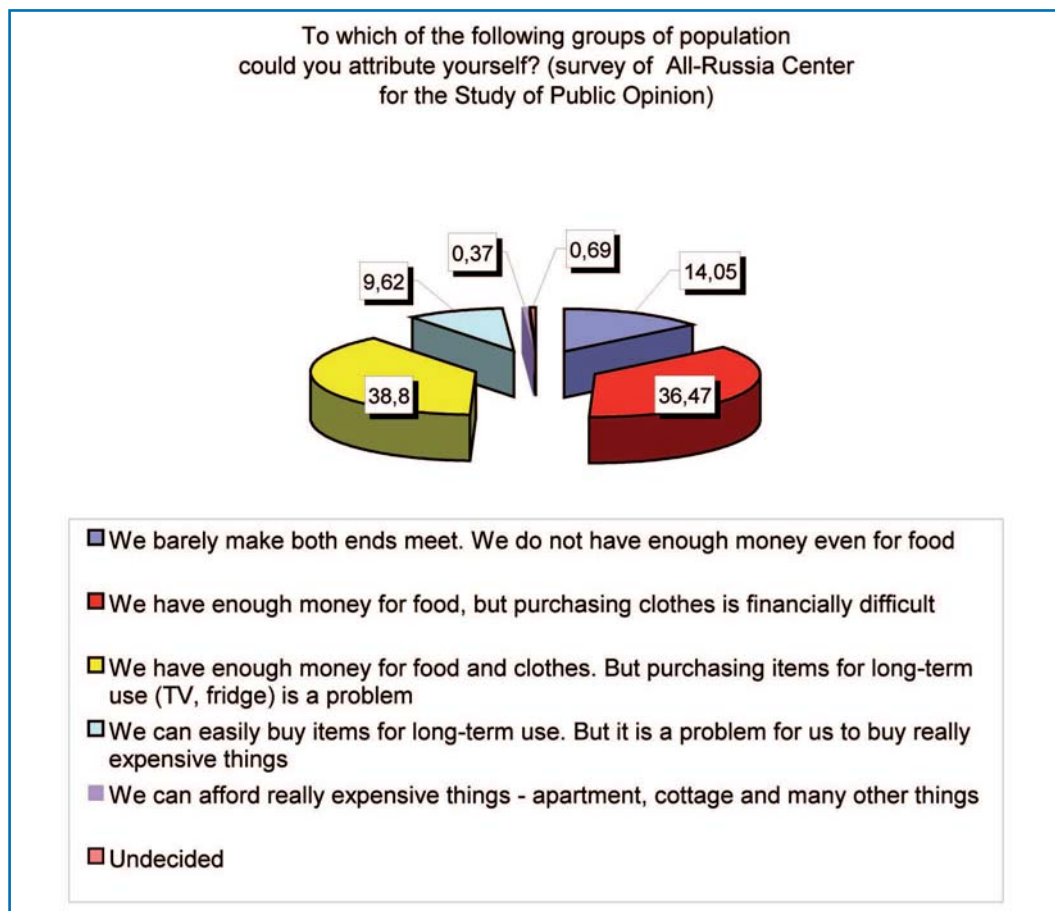
The suggestions on new priorities in social policy called with some extent of pathos „investments in human beings” were pronounced for the first time by the President of RF during his meeting with the members of Government, leaders of the Federal Council and the members of the General Committee of the State Council on September 5, 2005 in the Kremlin. Specifically, the Head of the State proposed to additionally allocate over 115 billion RUR for the social needs in the next year, which is to be invested, primarily, in education, healthcare and science.

Formally, the national projects are positioned as the changed attitude of the executive power to the implementation of their authority when care about the people comes into the foreground. In reality there are a number of reasons for introducing the national projects.

First of all, the national projects are not devoid of populist features, one can find in them the desire to „bring down” social dissatisfaction, to demonstrate the care of the country leaders about their fellow-citizens. This is especially necessary, because as early as in 2005 the disappointment of the RF people in the modernization of the country, skeptical attitude to the increase in material welfare and lack of trust in the „good intentions” of the power became noticeable. Thus, it was necessary to „stimulate” the public enthusiasm and to „feed” the rating of Vladimir Putin. Moreover, despite the rapid inflow of oil dollars, the gap in the income level of the Russian population did not decrease, but, on the contrary, increased. This resulted in public indignation, especially in conjunction with the mass media information on the growth of income of bureaucracy, the purchase of real estate and property by the „court” „oligarchs” and enormous corruption in the governmental bodies.

Secondly, another important goal of the proclaimed national projects was to distract the public attention from the Stabilization Fund, to take off from the „agenda” the discussion of investments from this Fund to the industry and social programs. This reason is specifically important for the „liberal” NPG which is planning to use the Stabilization Fund as its own „purse” in 2007-2008.

Thirdly, the implementation of the national projects has, as one of its goals, to „intercept” the main social mottos of the opposition (primarily, the Communist Party of the Russian Federation (CPRF) and „Rodina” („Motherland”)), to not allow its’ political „game” in the sphere of social populism and mobilization on this basis of the people under the „flags” hostile to the acting power. Accordingly, it is almost certain that in the course of the next election campaign the topic of „socially oriented” national projects will be actively used by the left-wing of „Edinaja Rossija” („United Russia”) (Andrey Isaev and others). Right now, the Duma’s majority of „ER”



promises to keep the implementation of the national projects under tight control. This was declared on 11 January 2006 by the Vice-Speaker of the State Duma of RF „edonoross” Vladimir Pekhtin. He pointed out that the implementation of the national projects remains the ultimate priority of the State Duma. „We will not allow the recurrence of the situation which we had last year when the law on privileged payments was implemented,” Petekhin said.

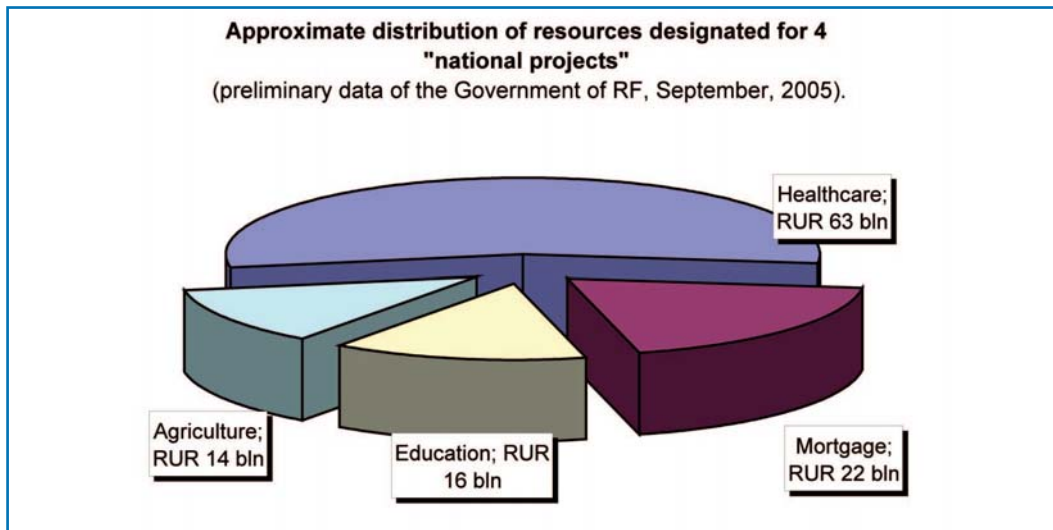
Finally, fourthly, one can not disregard the fact that in the center of „guardianship” of the national projects there are two rather important, from the electorate point of view, categories of population – health professionals and employees of the educational system. These social groups have significant authority among the people, and are able to influence public opinion and form political preferences. This is especially important considering that for the next election campaign the power counts on the political technologies and administrative resource. And the teachers and medical doctors are summoned to carry the positive image of the country leaders to the masses.

5.2. What will the money be spent for?

The initial figure of 115 billion RUR (later it was increased to 180 billion RUR) appeared, to some extent, by chance. At the end of last August the Government introduced the draft of the 2006 budget to the State Duma (with the budget income of 5,029 trillion RUR, expenditure of 4,253 trillion RUR, and a profit of 776,1 billion RUR). However, the deputies, who, in their majority, represent the interests of certain lobby structures, requested the government to increase the expenditures for investments and social needs. As a result, the decision was made to increase the budget expenses by a total of 324 billion RUR, out of which 209 billion RUR will be forwarded for investment projects and safety, and the remaining 115 billion RUR – for social needs. However, the leadership of the state reasonably refused to trivially „dispense” it to the citizens, assuming that at the start of the election cycle of 2007-2008 this type of initiative requires more noticeable PR activities. Accordingly, in order to discuss this issue, a special meeting was organized in Novoogarevo on 05 August 2005, in which, besides Vladimir Putin, the other „involved individuals” participated – the leaders of „edinos” Boris Gryzlov, Oleg Morozov, Vyacheslav Volodin and the Finance Minister Alexei Kudrin. Following this meeting, the details concerning the distribution of the above mentioned 115 billion RUR were closed for the public, and only one month later it was announced that they will be spent for „Priority National Projects”.

In principle, the „projects of September 5” represent the masked confirmation of a practical failure of all liberal reforms implemented earlier in the social sphere. At the same time the new proposals do not represent the system of complex measures designed to dramatically change the situation in this area either. They are seen more as an attempt to bring down the social tension in the society by making new promises. *With all of these, one can not expect another social policy in the current situation. The Government and the State Duma are concerned about the „distribution” of budget oil dollars which are continuously being written off for new emerging pseudo-investment projects and security structures.* This money never reaches regular citizens, and, as a result, the social tension is growing

In general, it was assumed that *no less than half of the total sum intended for national projects will be spent for healthcare. The money will be spent for both equipping the existing medical centers and building new ones, and for a radical increase in the salaries of health professionals: by a minimum of 10,000 RUR per month for doctors and by 5,000 for general practice nurses.* Another 16 billion RUR will go to the education system, 14 billion RUR is reserved for support of agriculture, and the rest will be forwarded for developing of real estate mortgage system and housing.



The increase in salaries was promised by the President first of all to general practitioners. It is also planned to introduce a special bonus to the teachers for class supervision of fully manned school classes (by 1,000 RUR per month). With this, it is planned to introduce additional grants for 10 best school teachers for 100,000 RUR each. The grants for 3,000 schools, 1,000,000 RUR for each school annually, will be introduced for the purchase of additional laboratory equipment, manuals and ensuring the proper teaching process. Besides, it is planned to implement 5 thousand grants for school children and students, 60,000 RUR each, for those of them who conduct interesting and promising research.

At the same time, with the above mentioned resources, it is planned to perform re-supply of 10-11 thousands of clinics with new modern technical equipment (there is a total of approximately 100,000 of such clinics). Besides that, the number of free-of-charge surgeries in high-technological medical centers must be increased. Currently, 60,000 of such surgeries are performed per year. Next year this figure will be doubled – 120,000, and starting from 2007 the number of free surgeries will increase by another 60,000 – to a total of 180,000 per year. In some subjects of RF it is planned to build new primary care centers. In 2006 such centers will appear in another 6 regions, in 2007 and 2008 – in other 9 regions of the country.

Health professionals are not the only group of people about whom the President talked on the 5th of September. The part of additionally reserved money will be spent for such programs as „Young Family” (state stimulation of the purchase of housing on credit by young families), support of agriculture and additional payments to selected categories of teachers. In accordance with the estimates of the Ministry of Economic

Development and Trade (MEDT), in 2006-2007 the state will help more than 25 thousands of families of young professionals working in rural areas to purchase the housing. They will receive subsidies for the first mortgage payment from the federal budget. Young professionals will be able to take out a mortgage loan with guarantees provided by the state, assuming the subsidy to cover the applicable interest rate. For these purposes 5 billion RUR will be allocated in the budget in 2006, and another 6 billion RUR in 2007. According to the estimates of the MEDT, about 30% of Russian families will be able to participate in this program. As a result, in accordance with the plans of the President projects, by 2007 17% of the families who need housing in rural areas, will either purchase apartments or build houses. As Dmitry Medvedev said, within the framework of the „Affordable and Comfortable Housing” program within 2 years more than 110,000 of young families will get a possibility to improve their living conditions, with mortgage being one of the sources for that. The First Vice Prime Minister assured the President of RF that the volume of housing building in 2007 will be increased by more than one third as compared to that of 2004, and he personally „will be involved in preparation of legislative acts on housing on a daily basis.”

Besides that, within the framework of the national projects the decision was made about the state support of agricultural manufacturers. Within the framework of development of the Agriculture and Industry Complex (AIC) of Russia at the forthcoming meeting of „Gazprom” the program of country gasification will be discussed, which will be planned to be implemented within 3 years. During this time not less than 35 billion RUR need to be additionally invested in the implementation of this program.

The distribution of the first tranches for the priority national programs was brought to publicity in January 2006. In particular, only in the sphere of education in 2006-2007 it is planned to forward 26 billion RUR for the conduction of competition and support of innovation programs. Besides that, it is planned to significantly increase the salaries for those working in the high/university education – PhDs and Doctors of Sciences. Simultaneously in the course of this competition 10,000 of the best teachers will be selected to additionally receive 100 RUR thousands each. Another monthly monetary allowance for class supervision will be increased by 1,000 RUR. Within the framework of the implementation of the „Rural School Bus” project 4,500 of buses will be purchased during this year – for this purpose another 1 billion RUR was allocated. Besides, the development of the system of general education for the military and the support of active users of information technologies is being planned. It was planned that by 2008 not less than 20 thousands of schools and 100 higher education institutions will be able to use the Internet and distance learning programs. Moreover, according to the Vice Speaker of the State Duma Vladimir

Pekhtin („Edinaja Rossija”) there are even greater plans of support of the domestic education. Specifically, within the framework of this national project the creation in RF of international level university centers, opening business schools for developing managers, establishing new universities in Siberia and in the southern territories of Russia are being planned. Pekhtin also emphasized that in total in 2006 over 30 billion RUR will be allocated for the education project from the federal budget. And this is only the beginning. However, taking the path of populism, the country authorities are at risk of either provoking hyperinflation, or, if they stop giving social subsidies and grants, cause massive dissatisfaction. And in these circumstances it will be difficult to attribute the failures to the activity of the Government of the RF, because the national projects are being positioned in the mass media specifically as „presidential initiatives”.

5.3. National Projects as Refusal from Reforms

When doing conceptual analysis of the nature of the national projects, one can make a conclusion that they to a significant extent contradict the previous „reforming” line of the Russian leadership.

On the surface it looks like all the above listed measures have been maturing for a long time and their priority does not cause any doubts. On the other hand, their analysis indicates a cardinal turnaround not only in social policy, but also in the economic model of the state development in a whole. As it is known, there are two types of the states which differ by the type of citizens’ upbringing – paternalist and liberal. The first one assumes the coverage of the majority of social expenses of the people – on medicine, education, purchase of housing for young families – from the state budget. On the other hand, the liberal state implements the policy of economic stimulation of the population to earn money for their needs and excludes the possibility of social dependence. In the second case the state will cover the social needs of a citizen only in case of disability.

Leaving judgments aside, we can just note that since 1991 the economic reforms in this country have been directed to the development of active population in the spirit of liberal economy, where the material security of the citizen is, first of all, his/her own responsibility. This policy, in the social sphere, was also conducted by President Putin as well in the last 5 years.

Therefore, provisions were made that the reform of pension welfare will introduce the system where future pensioners will work until their old age themselves, thus, allowing the state to shift off significant social expenses in the future. The reform

of healthcare system was focused on the mechanism of self-sufficiency of hospitals and clinics, i. e. the de-facto legalization of the existing payments for medical services. The reforms of science, education and housing and communal services had the same targets. In other words, it was suggested that in order to reach their ultimate goal – getting high-quality social services – people earn money themselves, and if otherwise, have no claims to the state.

With all these, Putin's team introduced the principle of separation of the budget flows to their reforms – the so called inter-budget reform. *All medical, educational, housing and communal services and other institutions were divided into federal, regional and municipal levels. Each of them had their own source of financing, and the majority of social institutions and citizens became eligible for benefits and allowances at the regional and municipal levels – i. e. the most deficient levels with regard to financial security.* At the same time during the last 5 year the government implemented the tax policy in accordance with which the subjects of the federation were deprived of most of the taxes coming to the federal Center.

However, the idea of „priority national projects” proclaimed on 05 September 2005 bears the evidence of the practical refusal of the country government of all the reforms listed above. In particular, talking after the President, the Ministers of Social and Economic Development Mikhail Zurabov and German Gref announced that the state is planning to participate in the process of providing medical care to the people more actively – regardless of the level of formal responsibility – municipal, regional or federal. In other words, in the future the Federal Center (FC) will directly finance the purchases of equipment for municipal clinics and increase the salary for general practitioners who are financially kept by the local budgets. Thus, *de jure it was admitted that the inter-budget reform failed. Also, the refusal of the budget principle of financing, when healthcare institutions are not interested in providing medical services* (because they will get their money anyway) and the transition to paying for medical services once these services have been provided *took place*.

In their turn, it is planned to „substitute” the structural reforms by trivial dispensation of social subsidies and re-distribution of the budgetary funds within the framework of the national projects. The fact that these four national projects announced by Putin represent the impulse and poorly thought political decision was confirmed just several days after the President's speech on September 5, when the Prime Minister of the Russian Government Mikhail Fradkov signed the decree on the implementation, effective January 1, 2006, of 100% payment for housing and communal services by the citizens. Besides that, the Federal Tariff Service took a decision on out-of-schedule increase in electricity costs for the citizens, effective 1

January 2006, by 9% to 30%, depending on the region. The decision on the increase in the communal services costs was cancelled later, and this event was also rather unexpected sudden and went almost unnoticed – as the initial Governmental decree was, however, this fact is rather typical and demonstrates once again that no dramatic changes in the social policy of the state have actually occurred.

The ministry will have to come back to liberal reforms sooner or later, because there is no other way out within the framework of the market economy. For example, as of today, the pensions are being paid from the pension fund formed from the „salary” taxes of working population. To the moment the number of pensioners is less than the number of working people, however as soon as in 2008 these numbers will be equal, and in 2015 the number of pensioners will double. In this regard the government will have to either increase the taxes or decrease the pensions, or create the system when the citizens are working for their pension during their life, i. e. conduct liberal reforms.

The mistake of the federal government is that they decided to abandon such reforms today. To the moment the most beneficial conditions for cardinal reform of the whole social system are created: the president has high rating, he does not need to be re-elected, and thus there is no sense in „flirting” with the people, there is an extremely beneficial external factor such as the world oil prices which allowed him to create a financial „buffer” in the form of the Stabilization Fund whose resources are equal to almost half of the state budget. Taken together, all these factors give evidence that it is right today when there are virtually perfect conditions for structural reforms which are always negatively perceived by the majority of the population. However, for political reasons (first of all, presumably, due to the fear of losing the current high rating which in the future can help to implement the „successor 2008” scenario, which will satisfy Vladimir Putin itself, and not his close environment), we now see the refusal of transformations, which are substituted with a populist poorly thought policy which will result in further deterioration of painful social problems of Russian economy.

5.4. Political Aspects of the National Projects

The proclaimed „national projects” and especially their financial coverage provoked interelite opposition. Under the conditions of hard collision of the „siloviki” („power”, related to security services) and „liberal” nomenclature and political groups (NPG) on „Successor” project, each of them strove to get the President’s support to get the right for supervision of the national projects. This situation was even further aggravated because the control over this sphere made it possible not only to gain

access to significant financial resources, but also to successfully „play” the populist „card” in the interests of the respective NPG. The initial understanding was that the success will follow the „siloviki” group, especially considering that they were always the advocates of the ideas of state „paternalism” and social security for the population. However, their administrative losses in the autumn of 2005 allowed „liberals” to capture this very promising project. As a result, the supervision over the national projects was assigned to the newly appointed First Vice-Prime Minister of the Government of the RF Dmitry Medvedev who belongs to the „lawyers” subgroup” in the frames of „liberal” NPG. Nevertheless, one can not rule out, that in case the „siloviki” NPG are able to restore their slightly compromised administrative positions (especially if Medvedev is unable to properly implement the idea of national projects into life), they still will be able to take the initiative from their opponents. The leadership of „liberals” in this sector was confirmed by the recent staff appointments in January 2006. All interdepartmental groups working on priority national projects „Health” and „Education” appeared under the control of this elite group. Thus, in the „Health” national project, the working group is being headed by the Minister of Health and Social Development of the RF Mikhail Zurabov, and his Deputy Heads are the Governor of the Tver region Dmitry Zelenin, Head of the Chuvashia Republic Health Professionals” Trade Union of the RF Vladimir Kuzmin and the Deputy Head of the Expert Administration of the President of the RF Nelly Naigovzina. In turn, the Head of the group for the „Education” national project is the Minister of Education and Science Andrey Fursenko. The Head of the Expert Administration of the President of the RF Arkadii Dvorkovich, Governor of Saint Petersburg Valentina Matvienko and the Chairman of the All-Russia organization „Business Russia” Boris Titov were appointed the deputy heads of the group.

It is necessary to specifically point out a rather weak response of the people to the proclaimed initiatives of the President of the RF. Thus, according to the public surveys, about 45% of the people think that the national projects are not the solution to „super tasks”, but just „routine programs for solving long-standing problems”, and 16% see that as a „propagandist action of the Kremlin”. However, the country authorities (especially „liberal” NPG) got into an economic and political trap by betting on the promotion of these projects. Initially, it was planned, that the national projects will be welcomed by the Russian citizens with great enthusiasm and will bring fast electoral dividends. However, considering the skeptical public attitude to these initiatives, unplanned expenses will be required – significant sums of money for implementing these projects (at least at the first stage).

At the same time, many obscure obstacles and problems may turn up while implementing the „national projects”.

Thus, the „good wishes” of the National Project Council may appear to be futile because of the ***imperfection of the Russian legislation and administration systems***. Even now the interelite opposition quite frequently impedes even the most promising projects. One can not exclude that the initiative of Dmitry Medvedev will share the same fate. Vladimir Putin has the same concerns. In particular, he assigned the Government and his Administration the task to „form a strict system of management and control over the implementation of priority national projects”. „The target indicators and responsible individuals must be identified,” the President underlined. And, as per President, not only the Cabinet of Ministers as a whole but also dedicated ministers in person will be responsible for the implementation of these projects. „Improper actions of officials have brought to nothing the very best initiatives on numerous occasions.” noted Putin quite reasonably. As a result, the decision was made to perform monthly monitoring of the efficiency of implementation of priority national projects. And to ensure collaboration on the operating level it was planned to set up an interdepartmental group for each particular project with the federal minister as a head. In the activities of the groups, said Dmitry Medvedev who will supervise their work on behalf of the Government, the representatives of regional authorities, representatives of the Chairs of both Parliament chambers, public and business representatives will participate.

Another obstacle for the successful implementation of the national projects is a quite ***real possibility of „pillaging” the budget money allocated for these tasks***. Too many lobbyists after Vladimir Putin’s speech of September 5, 2005 targeted themselves on this money, and took the efforts to put forward their initiatives, even if they are out of the framework of the outlined national projects (agriculture, education, mortgage system, healthcare). For example, the main nomenclature competitor of Dmitry Medvedev, the Minister of Defense Sergey Ivanov attempted to „fight off” some alternative project for himself. And he partially succeeded. However, it is unlikely that the restoration of Chechnya will be beneficial for him in both financial and image terms. Moreover, considering that since recently the territory of the Republic of Chechnya is practically monopolistically controlled by the clan of Ramzan Kadyrov, and it is extremely difficult for external players to fit in the local administrative and economic situation.

Nevertheless, ***one can not rule out that under the influence of lobbyists Putin will step back and broaden the range of the national projects***. A somewhat similar thing, by the way, happened in 2005 with the special economic zones. Initially, they were planned as new innovation zones targeted for technological „breakthroughs” of the national science and industry. However, later these ideas were turned down in the course of administrative confrontation. As a result, the lobbyists were able to „push”

and get the status of special economic zones for recreational, port and other „zones”. Something similar will inevitably happen to the national projects. Even now there is information that the development of the Russian power engineering can be proclaimed as another national project. Then there will be the turn of the military, transport and the other „industrial branches”.

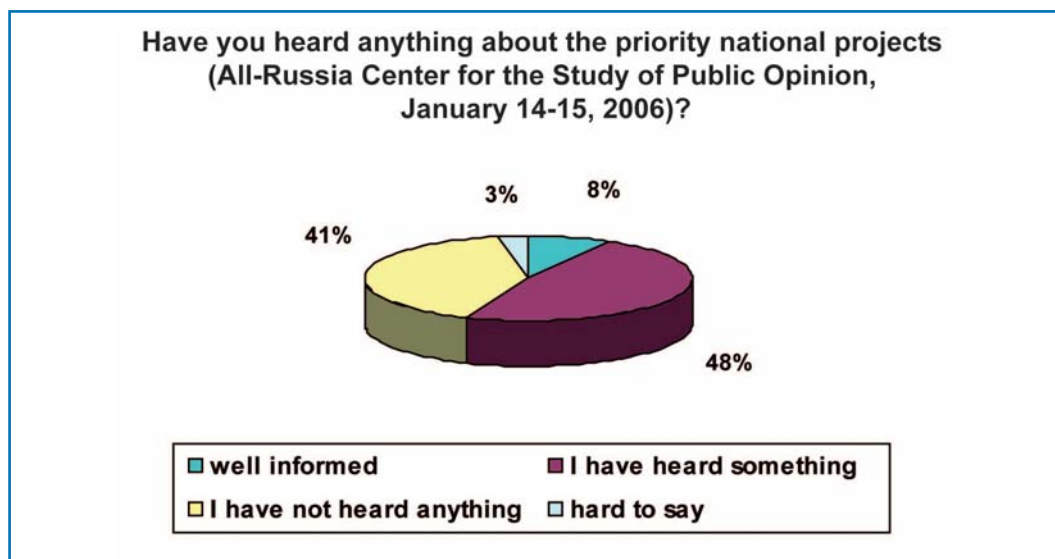
A serious challenge to the national projects is their *strict „binding” to the next electoral cycle* and, accordingly, their populist nature. There is no doubt that after the procedure of „power transition” the interest to them will decrease significantly. Moreover, the financial support of these social programs can be decreased dramatically, which will ultimately result in the outburst of people’s dissatisfaction.

By the way, *the principle of distribution of social „infusions” within the framework of the national projects is often unclear and may lead to an effect opposite to that expected by the President*. In particular, an unprecedented increase in salaries for some health professionals, who amount to about 600 thousands in Russia (nurses – twice as many), but only for general practitioners (their number is about 56 thousands) *can result in the split not between the poor and rich, but within the professional corporation of socially unprotected citizens*. Because the result can be that a pediatrician for whom one should study two times less than for a surgeon – the most difficult and prestigious medical profession – will earn more than a top-class expert surgeon.

On top of that there is a problem of rate schedule. The people who work in the social sphere got used to the situation that the salary of a pediatrician in the local clinic is approximately the same as the salary of a teacher in the local school, a teacher of the regional higher educational institution or a veterinarian in the municipal veterinary clinic. The President’s initiatives split the ranks of social workers and bring about the resentment with regard to this strange „differentiation”.

The principle of social (paternalist) state says that everybody should receive equal salaries. Only the liberal model assumes inequality caused by the differences in the people’s abilities, but even in this situation the power takes the obligation to provide all feeble citizens with necessities, or all the people working in the governmental sector – with the equal income. However, Putin proposed de-facto to decline the principle of unified rate schedule – the step which within the framework of these initiatives can only deteriorate the situation in the social sphere. Another *area of serious concern is that the President, as his ministers admitted later, voiced only raw proposals – the exact figures and the lists of categories of doctors and teachers will be presented later as well as the mechanisms of control over the money allocated for these projects*. And here lies the major danger that the President’s national projects will fail.

Besides, one can not ignore the *overoptimistic spirit of specific initiatives* within the framework of the project. For example, in the area of housing, it was recently announced that everywhere (including Moscow) the price of 1 square meter of housing will be reduced to about 100 USD per square meter – in the situation when the self-cost of the square meter is 200 USD. To compare, the average price of 1 square meter in Moscow at the moment is approximately 2000 „bucks”.



And finally, the national projects can become the *victim of their own „myth-like” nature*. In general, this brand is known to both the general population and representatives of the elite, however until now, because of lack of proper information strategy, many people have not had clear understanding of either specific features of the President’s initiatives, or their executors, or the timelines of implementation. As a result, using the acute nature of the problem, the national projects are being actively promoted and explained by the people and structures, which are often only remotely related to their implementation.

For example, in early February 2006 one of the crooked structures collected from credulous regional officials about 300,000 USD for the administration of the „round table” on the national projects, in which Dmitry Medvedev, German Gref, Alexei Kudrin and other top-level officials were allegedly expected to participate. Also, according to the Ministry of Press, at the moment active efforts are being taken for registering mass media that have the phrase „national projects” in their title. All the „excesses” of this type seriously compromise the idea of the country leadership, and oftentimes can fill the projects with an absolutely opposite sense.