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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 41th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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6.8. The implementation of executive order No.204 of May 7, 2018 of the President of the Russian Federation and national projects in 2019¹

From the day of issuing of Executive Order No.204 of May 7, 2018 of the President of the Russian Federation “On National Goals and Strategic Objectives of the Development of the Russian Federation in the Period till 2024” (hereinafter, the Executive Order No.204) and till the end of 2018, the main efforts in implementation thereof were aimed at developing national projects (NP) and establishing the project management system and the initial organizational base. It can be stated that the main portion of work on implementation of national projects started from the beginning of 2019.

Within the framework of the initial period of 2019, efforts were made to clear some issues and liquidate the information asymmetry in implementing national projects at various organizational levels. Within the framework of the “National Projects – “Implementation” Stage” Forum, which was held on April 4-6, 2019 in the Moscow Region and attended not only by representatives of the government and federal agencies, but also numerous representatives from regions, such an attempt was made. Based on the results of the Forum, the Prime Minister signed a number of instructions² aimed at resolving some problems – identified during the work of the Forum – related to the start of implementation of national projects.

6.8.1. The system of management of achievement of national goals and implementation of national projects

Despite the efforts to establish networking between various levels of the system of management of achievement of national goals and implementation of national projects, the system has a rather complicated pattern. As regards the year 2019, following components of this system can be singled out: Executive Order No.204 setting national goals and 13 national projects, which are key instruments in achieving national goals. The aggregate of national projects does not ensure full coverage of national goals.

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² URL: <http://government.ru/news/36532/>.

It is noteworthy that charters of national projects approved late in 2018¹ were officially published only a month and a half later, that is, on February 11, 2019.²

The overall list of instruments ensuring achievement of national goals was presented in the “Government’s Main Guidelines” (GMG)³ actually after the completion of the development of the charters of national projects (by October 1, 2018). In addition, it was specified that the achievement of national goals would be facilitated by means of not only national projects, but also state programs of the Russian Federation and its subjects, as well as federal (regional) projects and other activities included in them. In respect of achievement of each national goal, a plan was formed to determine the trajectory of embarking on the target level, identify factors which influence the achievement of the goal and A special plan for achieving each national goal was formed to determine the trajectory of approaching target levels, identify factors which influence achievement of the goal and include the list of state programs of the Russian Federation (including federal projects which were part thereof) to whose implementation the management of relevant factors was attributed.

An important component of the management system is Single Plan No.4043 p-P13 of May 7, 2019 of “Achieving National Goals of the Development of the Russian Federation in the Period till 2024” approved by the Government of the Russian Federation, which mainly represents the Government’s declaration of intentions and includes the list of instruments – different from that specified in the GMG – to achieve them (national projects, state programs and in individual cases – federal laws).

At the same time, the Single Plan does not include concrete activities aimed at developing measures to synchronize and balance national and federal projects, state programs of the Russian Federation, state programs of subjects of the Russian Federation and municipal programs. It is to be noted that the Single Plan includes neither the list of the required and necessary procedures for achieving the goals, nor concrete measures with specified deadlines set both for the implementation thereof and achievement of the expected results.

In addition, it is also necessary to mention the work of other components of the system of management of national project implementation, achievement of national goals and solution of related issues:

- The activities of the Central Office of the Government of the Russian Federation and the role of the working group of the President’s Council for Strategic Development and National Projects;
- The activities of the State Council and its working groups;
- 15 indicators for assessment of the performance of governors⁴;
- Conclusion of the Federation – Region agreements on implementation of regional projects in subjects of the Russian Federation⁵ and relevant notification of each region of key performance indicators (KPI);

¹ Approved at the meeting of the Presidium of the RF President’s Council for Strategic Development and National Projects on December 24, 2018 URL: <http://government.ru/news/35168/>.

² National projects: key objectives and expected results. URL: <http://government.ru/projects/selection/741/35675/>.

³ The Main Guidelines of the Government of the Russian Federation in the Period till 2024 approved by the Government of the Russian Federation on September 29, 2018.

⁴ Executive Order No.193 of April 25, 2019 of the President of the Russian Federation “On Assessment of the Efficiency of Performance of High-Ranking Officials (Senior Executives of State Executive Authorities) of the Subjects of the Russian Federation and Activities of Executive Authorities of Subjects of the Russian Federation.”

⁵ The guidelines for the procedure for and the standard form of entering into an agreement between the manager of the federal project and the manager of regional project on implementation of a regional project in the territory

- Building of the e-budget system¹ and the obligation to use it concurrently with a hard copy mode;
- Content affiliation of federal projects with specific state programs: introduction of a project approach into the program budget;
- Monitoring have been established to manage project activities: monitoring of the Government, monitoring of the Presidential Administration, monitoring of law-enforcement agencies and public monitoring;
- Procedure for introducing changes into national projects² (all changes are approved by the Presidium of the Presidential Council for Strategic Development and National Projects), which is a component of project management.

Despite some inconsistency between these components, it is impossible to recognize their role in formation of the system of state management of project activities in Russia. The work of relevant instruments constantly influences the quality of the project management system and constitutes in numerous aspects its backbone.

Overall, in 2019 the implementation of national projects was carried out with some difficulties, which were inevitable for such large-scale projects. At the same time, it is possible to single out a few aspects which played an important role in the period under review. Presented below is the assessment of implementation of each national project in 2019.

6.8.2. The main outputs of implementation of national projects in 2019

The “Demography” National Project

A key goal of the “Demography” national project consists in increasing health expectancy of the population (including by means of promotion of a healthy lifestyle, creation of conditions for regular physical training and sports and establishment of the system of long-term care for the elderly and disabled persons) and the total fertility rate (through financial support to families with children, vocational skills training of women on maternity leaves for taking care of a child below the age of 3, provision of affordable child-care services and creation of conditions for persons with children so that they could combine work with their family duties). The first results of implementation of the “Demography” national project in 2019 can be summed up on the basis of the analysis of the project’s target indicators.

The achievement of health expectancy equal to 67 years until 2024 is a major goal of the “Demography” national project and the “Elderly Generation” federal project. In 2019, this index was officially calculated for the first time in Russia; it makes it feasible to estimate the number of years at a certain age of a person during which he/she can stay healthy, that is, without any serious health problems. According to the data of the Rosstat, in 2019 health expectancy for the population of Russia was equal to 60.3 years; the index’s regional differentiation amounts to 18 years. The highest level is observed in the Republic of Ingushetia

of the subject of the Russian Federation were approved at the meeting of the Presidium of the Presidential Council for Strategic Development and National Projects on December 17, 2018. URL: <http://static.government.ru/media/files/qAjnutcLUahb8ro3o6UWm1CwgDf4BDFA.pdf>.

¹ URL: <https://www.minfin.ru/ru/performance/ebudget/>; URL: http://budget.gov.ru/epbs/faces/page_home?_adf.ctrl-state=u1ba99z14_4®ionId=45.

² Resolution No.1288 of October 31, 2018 of the Government of the Russian Federation (as amended on October 30, 2019) “On Organization of Project Activities in the Government of the Russian Federation (together with the “Regulation on Organization of Project Activities in the Government of the Russian Federation”).

(67 years), while the lowest one, in the Chukot Autonomous Okrug (49 years). The dynamics of target values as regards the level of health expectancy by the year till 2024 is not available in the charter of the “Demography” national project. Proceeding from the level of the index in 2019, the achievement of the target value of health expectancy of 67 years by 2024 is quite problematic.

The total fertility rate (TFR) is the main indicator of the “Demography” national project and the “Financial Support of Families at the Birth of a Child” federal project. According to the data of the Rosstat, in 2019 this indicator was equal to 1.51 per a woman of the reproductive age. It is 4 percent below the level seen in 2018 (1.58) and 6 percent below the target value in 2019 (1.63). The reduction of the total fertility rate is related to a decrease in birth intensity across all regular successions. According to the Rosstat’s data, in 2019 the indices of birth of the first baby and the second baby decreased by 2 percent and 8.5 percent, respectively, and the index of birth of the third child and any subsequent ones, by 3 percent. Proceeding from the trends of the total rate (it has been decreasing since 2015), the achievement of the target indicator of TFR by 2024 seems infeasible. However, the implementation of the “Financial Support of Families at the Birth of a Child” federal project and the “Promotion of Women’s Employment – Creation of Pre-School Education Conditions for Children Under the Age of 3” federal project may slow down the drop in the total fertility rate owing to the creation in Russia of favorable baby birth conditions. In addition, financial support of families with children and promotion of employment opportunities for women with children of pre-school age will facilitate achievement of the national goal to reduce by 50 percent the level of the poverty rate.

The mortality rate of the population which is above the working age (55+/60+) is another target index of the “Demography” national project. At present, the detailed data on the mortality of the population in 2019 are not available yet (they are expected in August 2020). However, it is to be noted that the target level of the mortality rate in 2019 (37.6 persons per 1000 persons at the age of 55+/60+) was achieved in 2018. To attain this goal, important measures have been taken: the “Elderly Generation” federal project was launched to create the system of long-term care (in 2019 it started only in pilot regions) to cover people who are above the working age with periodic screenings, including medical checkups and other.

Growth in the share of people leading a healthy lifestyle is another important objective of the “Demography” national project. In 2019, according to the data of the sample survey carried out by the Rosstat the share of people leading a healthy lifestyle amounted to 12 percent. The regional dispersion of this index varies in the range from 0.4 percent (the Chukot Autonomous Okrug) to 48.8 percent (the Republic of Ingushetia). The charter of the “Demography” national project does not include any target indicators as regards the level of this index until 2024.

According to the data of the Ministry for Sport, in 2019 the share of people who regularly take physical training and go in for sports was equal to 43.8 percent with a target indicator of 40.3 percent, that is, an increase of 3.7 percent compared with the target indicator. However, there are some questions to the methods of calculation of the “Share of People who Take Physical Training on a Regular Basis and Go in For Sports” index. The RF Ministry for Sport uses the data on the number of people who goes in for sport supplied by interdepartmental entities engaging in provision of athletic training services (both dual accounting (a person can visit several sports clubs, get registered with all of them and never visit) and misreporting (a person goes in for sports outdoors) may take place). It is evidenced by the findings of the Rosstat’s sample survey, which data on those who regularly go in for sports in 2019 are much lower than those of the Ministry of Sport and amount to 27 percent (32 percent below the target

indicator of the “Demography” national project). So, it seems it would be correct to calculate the “Share of Those Who regularly Go in For Sports” index on the basis of surveys of the population, rather than on the departmental statistical data.

In 2019, cash administration of the national project was equal to 95.6 percent¹. At the same time, some lag can be observed with the “*Promotion of Women’s Employment – Creation of Pre-School Education Conditions for Children Under the Age of 3*” federal project where application of funds amounted to 74.2 percent. In particular, there were problems related to the implementation of the “material support to families with children by means of application of the reduced mortgage rate” program (a reduced mortgage rate of 6 percent) which did not practically work during the year in some regions (the Magadan Region, the Murmansk Region, Karachayevo-Cherkessia, Republic of Kalmykia, Kamchatka, the Republic of Tyva and the Ingush Republic).

Overall, in 2019 the performance results of the “Demography” national project are not so unambiguous; they are both positive and negative. The positive trend of reduction of the rate of mortality of the population at the age of over 55/60, which was observed before 2018 as well, was accompanied by negative dynamics of the total fertility rate. As regards some new indices calculated by the Rosstat only in 2019, target values were unavailable, so, it is infeasible to assess as of the end of 2019 to what extent they could be achieved (health expectancy, the share of people leading a healthy lifestyle). At the same time, it is to be noted that as of the end of 2019 the demographic situation was characterized by the ongoing natural and general decline in the population, aging, falling fertility rate and high mortality indices. One should not expect the effect of activities carried out under the national project to be substantial in 2019 because most of them were aimed to produce a long-term effect which would become evident only within a few years.

The “Healthcare” national project

The “*Healthcare*” national project² was characterized by the domination of the ongoing federal projects and activities carried out within its framework. Most of the newly approved federal projects inherited partially or completely the priority projects or departmental projects of 2016–2018. These specifics permitted to form legal and institutional frameworks for numerous lines, while in some cases, switch over to the actual implementation of individual measures even before the official start of the national project.

A vivid example of such ongoing work is the “Development of the Primary Medical Care System” federal project. Except for buying mobile medical complexes, which monitoring is limited by the number of medical complexes bought in 2019, all other activities are expected to be completed within the framework of the national project’s activities of previous years. In particular, in 2019 in a number of subjects of the Russian Federation rural health posts (RHP) were established, modular constructions for RHP were bought and the building and construction works were carried out completely or partially in 2018 within the framework of the RF President’s Instruction on Rural Medicine Development.³ As a result, the target indicator as regards the number of RHPs put into operation was surpassed somewhat (53 RHPs as compared with the target indicator of 40 RHPs).

¹ The Treasury of the Russian Federation. URL: <https://roskazna.ru/>.

² The information on the national project. URL: <http://government.ru/rugovclassifier/831/events/>; The charter of the “Education” national project. URL: <http://government.ru/info/35561/>.

³ See, for example: In the Tambov Region, it was planned to build five new RHPs in 2019. URL: <https://ria.ru/20190228/1551460247.html>.

Individual ongoing activities are typical of other federal projects, too. So, active work on the development of the child healthcare infrastructure began in 2018 within the framework of the “Development of Healthcare.”¹ Measures aimed at increasing average wages of health workers and abolishment of internship training will promote staffing in the mid-term and long-term prospect. The introduction of accreditation and upgrading of the continuous professional training of medical professionals and support of the network of national medical research centers and the single digital contour in health care are regular processes which began before the official start of the national project.

As of the beginning 2019 and H1 2019, the new tasks set before the national healthcare system included primarily organizational and methodological activities.

Most target indicators of the national project before its launch in 2016–2018 demonstrated positive dynamics. As a consequence, in 2019 the national project’s objective in its most lines of activities consisted in maintaining or speeding up the achieved rates of upgrading. However, in 2019 the dynamics in respect of the number of target indicators of the national project was not so unambiguous. The rate of mortality from diseases of the blood circulation system decreased by 1.0 percent (from 579.6 cases to 573.7 cases per 100,000 persons) as compared with 2018, while that from neoplasms and diseases of the digestive system increased by 0.7 percent and 3.3 percent, respectively. Also, it is important to mention a decrease of 5.2 percent in the rate of mortality from external causes. A decline of the overall index of mortality which fell by 1.6 percent based on the results of January–November 2019 as compared with the same period of the previous year can be regarded as a summarizing indicator of all those causes, but it is not the target indicator of the national project. It is to be noted that in a number of regions, the rate of mortality from cardio-vascular diseases is declining amid the decrease in the total rate of mortality, but in more than 30 subjects of the Russian Federation growth in the mortality rate from blood circulatory system related diseases is observed.

A goal of the Healthcare” national project consists in raising by the year 2024 the life expectancy at birth to 78 years (to 80 years by the year 2030), but at the same time the indicator of life expectancy (LE) is not included in the target indicators (consequently, target values until 2024 are not available, either). According to the preliminary data of the Rosstat, in 2019 LE of the population reached the level of 73.4 years, an increase of 0.5 years on the index of 2018. At the same time, the gender gap (10 years) remained at the level seen in 2018.

According to the Rosstat’s preliminary data, one of the main indicators of the Healthcare” national project – the rate of mortality from diseases of the blood circulation system – was equal to 573.7 cases per 100,000 persons in 2019, a decrease of 1 percent as compared with 2018. However, it is 9 percent above the planned target indicator of the national project (525 cases per 100,000 persons). In 2019, the death rate from neoplasms (another main LE indicator) was 0.7 percent higher than in 2018 (201.5 cases per 100,000 persons in 2019). According to the plan of the “Healthcare” national project, in 2019 this indicator should be equal to 199.5 cases per 100,000 persons, but turned out to be 1 percent higher (201.5 cases). The infant mortality rate is the only index of the rate of mortality which demonstrates positive dynamics and the achievement of the target index (except for the data on the rate of mortality of the working age population which are available in summer 2020). In 2019, the infant mortality rate was 9 percent below the target indicator (5.4 cases per 1000 live-born) and was equal to 4.9 cases per 1000 live-born.

¹ Resolution No.210 of March 1, 2018 of the Government of the Russian Federation “On Modification of the “Development of Healthcare” State Program of the Russian Federation.”

In 2019, a number of positive decisions which are expected to facilitate the reduction of the rate of mortality were taken. In particular, they included the amendment of preventive medical examination rules (the Order of March 13, 2019 of the Ministry of Health of the Russian Federation) and promotion of availability of palliative assistance (Federal Law No.FZ-18 of March 6, 2019). The amendment of preventive medical examination rules may influence early diagnostics of numerous diseases. There is a number of death causes which could be prevented at the stage of timely and quality diagnostics. Death causes, which could be prevented provided that timely and quality medical services are available, make a “contribution” to the premature mortality rate. The reduction of rate of mortality from this group of death causes is related to the completeness and adequateness of medical assistance measures. If mortality from these causes is completely excluded, the life expectancy may increase by 1.4 years.

In 2019, the cash administration of this national project was equal to 98.0 percent.¹ As of the beginning of October 2019, according to the statements of the Health Ministry of the Russian Federation² all results out of 7 planned ones for the year 2019 were achieved. It seems that further implementation of the project should be aimed at timely and, perhaps, advanced implementation of the planned activities which could facilitate the achievement of target indicators as regards the reduction of the rate of mortality from different causes.

The “Education” national project

A major goal of the “Education” national project³ consists in Russia’s entering the top 10 countries as regards the quality of general education. This objective was mainly justified by Russia’s relatively low indices in the PISA international comparative survey of 15-year old school students. At the same time, as per the human capital index calculated by the World Bank in 2018 Russia is ranked the 9th as regards the quality of the general education with all achievements of Russian school students taken into account in international surveys of the quality of school education. Accordingly, if the achieved results are retained in subsequent years, there will be no problems with implementation of the RF President’s Executive Order in respect of this goal. In this situation, the main risk is the reduced motivation of the participants in the “Education” national project and their adoption of a formal approach to implementation thereof.

The other indicator of upgrading the quality of education is also related to the international competitiveness of the Russian education, that is, Russian universities’ entering the Top-500 global ratings of universities. Globally competitive universities should be present in each federal okrug and minimum in 10 subjects of the Russian Federation. This approach is largely related to the efforts to limit somewhat the domination (and, consequently, the receipt of substantial budget funding) in the “Young Professionals” federal project (the “Global Competitiveness of the Higher Education” project) of higher education establishments from Moscow and St. Petersburg. Following the results of 2019, Russia took the 12th place (as

¹ The Treasury of the Russian Federation. URL: <https://roskazna.ru/>.

² The report by Natalia Khorova, Deputy Health Minister on implementation of the “Healthcare” national project. URL: <http://government.ru/news/38098/>.

³ The information on the national project. URL: <http://government.ru/rugovclassifier/833/events/>; The charter of the “Education” national project. URL: <http://government.ru/info/35566/>.

compared with the planned 17th place which was believed to be retained from the previous year) as regards this indicator.¹

Due to the fact that during 2019 national projects were constantly updated, the indicators of officially approved charters of national projects in terms of funding thereof differed from the original version of their charters. In this respect, the “Education” national project is a vivid example.

As measures to be taken within the framework of the “Education” national project were updated, expenditures on implementation thereof changed, too. As compared with the initially declared amount of RUB 747.6 billion in September 2018, in accordance with the project charter the funds were increased to RUB 784.5 billion or 4.9 percent. It is to be noted that an increase in the declared funding took place virtually on the back of growth in federal budget expenditures (growth of over RUB 35 billion). On the contrary, the share of the consolidated budget expenditures of the subjects of the Russian Federation decreased, but not substantially: from 5.9 percent to 5.8 percent.

The highest growth in expenditures took place in the “Modern School” federal project, an increase of RUB 17.2 billion, which sum accounts for nearly a half of growth in all costs (46.2 percent). It is noteworthy that as per the charter of the national project regions co-finance only the implementation of measures aimed at the development of modern school: for these purposes it is planned to spend 90.3 percent of all funds of consolidated budgets of the subjects of the Russian Federation. At the same time, out of over RUB 253 billion federal funds to be spent on this national project, over RUB 240 billion will be directed through inter-budget transfers to regional budgets. In their turn, regional budgets will hand over RUB 41.3 billion to municipal budgets for implementation of the “Modern School” federal project.

The second beneficiary of growth in budget funding of the “Education” national project was the “Social Activity” federal project. Additional funding of the above project amounted to RUB 18.9 billion, a 3.3-fold increase. Such increased funding is the evidence of higher attention to problems of the youth and issues related to promotion of volunteer services and guidance. It can be assumed that the allocation of such a huge sum of additional funds on the youth policy is meant to compensate the reduction of federal budget expenditures on these goals in the past few years.

However, owing to the specification and elaboration of the legal framework of the national project, the implementation of activities within the frameworks of individual federal projects lagged behind, while the cash administration was equal overall to 91 percent in 2019 (though as of the beginning of November 2019 this indicator was equal to less than 60 percent). So, in particular, activities related to advanced training of teachers under the “WordSkills Russia” program² as well as those related to the appraisal of learners of secondary vocational training programs with utilization of the demo exam mechanism were carried out with a delay. At the same time, among the “leader”-federal projects in 2019, it is possible to single out the “Young Professionals” federal project, within which framework activities aimed at state support of vocational training institutions to modernize their material and technical base and promote global competitiveness of Russian universities and their entering the Top-100 global ratings were carried out in full.

¹ Based on the published ratings ARWU (URL: <http://www.shanghairanking.com/ARWU2019.html>), QS (URL: <https://www.topuniversities.com/university-rankings/world-university-rankings/2020>), THE (URL: <https://www.timeshighereducation.com/world-university-rankings/2020/world-ranking>).

² WorldSkills Russia. URL: <https://worldskills.ru>.

The further implementation of the national project should be carried out with a view to promote comprehensive accomplishment both of individual projects and the proposed set of federal projects and harmonize implementation thereof with general goals. In addition, it is crucially important to enhance the networking with other national projects, for example, the “Demography” project which deals among other things with the issue of development of the nursery level of per-school educational establishments, private nurseries and kindergartens in a number of Russian regions and federal okrugs or the issue of retraining of workers of a preretirement age (within the frameworks of the “Education” national project and the New Opportunities for Everyone” federal project, advanced training of pre-school teachers and continuous professional training of the population should be provided, respectively).

If these issues (risks) are neglected, negative consequences may arise, in particular:

- Growth in the deficit of regional budgets;
- Shortage of teachers;
- Shortage or surplus of material and technical base of educational establishments;
- Shortage of the current funding of the education system;
- Loss by the population and academic community of trust in activities of the “Education” national project;
- Deterioration of the standard of education instead of its expected upgrading.

The “Housing and Urban Environment” national project

One of the key instruments in achieving the national goal – “The Improvement of Housing Conditions for Minimum Million Families a Year” – is the “Housing and Urban Environment” national project.¹ This project envisages individuals’ moving to new and more comfortable housing and upgrading of the level of comfort and quality of the environment for each person. So, it is important to ensure higher affordability of housing for people and reduce building-related risks. In addition, a key line on which efforts should be concentrated should be the work on upgrading the quality of the urban environment (by 30 percent by the end of 2024 as compared with 2018) because in the 21st century growth of cities and large metropolitan areas is an important driver of the economic development. All these efforts help form a sustainable basis for economic growth and further development of the economy and upgrade substantially the standard of living of each individual.

In 2019, the implementation of the national project was aimed both at solving regulatory issues and fulfillment of a number of measures to achieve quantitative target values of the national project.

In Q1 and Q2 2019, the RF Ministry of Building’s efforts were largely concentrated on solution of regulatory, organizational and financial aspects of implementation of the national project and formation of its institutional and financial base. These activities concern all federal projects included; at the same time a portion of them is related not only to intradepartmental activities or relations with regions, but also to the level of interdepartmental cooperation/integration or legislative activities and is already included in the Government’s resolutions and draft laws approved by the State Duma.²

¹ The information on the national project. URL: <http://government.ru/rugovclassifier/846/events/>; The charter of the “Housing and Urban Environment” national project. URL: <http://government.ru/info/35560/>.

² One of such major laws was the Federal Law “On Amendment of the Federal Law on Participation in Equity Construction of Apartment Houses and Other Real-Estate Projects and On Amendment of Some Statutory Acts of the Russian Federation” and Individual Statutory Acts of the Russian Federation.” The Federal Law was approved by the State Duma and the Council of Federation on June 19, 2019 and June 26, 2019, respectively, and signed by

Apart from that, the main attention was paid mainly to financial, regulatory and administrative issues, while less attention was attached to the technological development of the building industry.

After the peak reached in 2014–2016, the commissioning of the new housing in 2017–2018 was steadily declining owing to negative economic trends, which situation logically caused concerns over the feasibility to achieve the goal of commissioning higher volumes of new housing in 2019.

At the same time, joint efforts on implementation of the national project yielded stable growth in the volume of housing development in 2019 as compared with the previous year (without a decrease in individual months). However, following the results of 2019 the overall volume of housing development in Russia amounted to 80.3 million m² against the planned 88 million m² in 2019.¹

In the past two years, the interest rate (both the nominal and real interest rates) on mortgage loans for individuals kept decreasing despite the slowdown of the rate of inflation. In December 2019, the average level of the nominal interest rate on mortgage loans hit the historic minimum of 9.0 percent in the entire period of observations; the average nominal interest rate was equal to 9.9 percent in 2019.² However, despite the positive trend, as of year-end 2019 the average target level of the interest rate on mortgage loans (8.9 percent) failed to be achieved.

On one side, according to the data of the RF Government the reduction of average interest rates on mortgage loans from 12–13 percent on average in 2012 to 9.6 percent by the end of 2018²² led to growth from 30 percent to 40–45 percent in the share of families which could afford new housing. However, in 2019 there was some drop in the growth rates of extension of mortgage loans. It can be explained partially by weakening of this indicator's sensitivity to the decline of the mortgage interest rate, but some effect was produced as well by the statements made by officials on plans to reduce further the mortgage interest rate, which situation prompted households to revise and postpone decisions as regards the timeframe for taking mortgage loans. In addition, further reduction of the mortgage interest rate had a weak effect on housing affordability without growth in households' incomes.

Housing affordability for households vary considerably from region to region. The affordability of housing as a whole remains at a low level (particularly, in southern regions and individual regions of the central part of Russia). It takes on average 5.5 years to buy a “standard” apartment on the secondary housing market.

In 2019, the findings of the assessment of the quality of the urban environment in compliance with the new methods³ approved in 2019 (based on the data of 2018) were published for the first time. On average, the share of cities with a favorable urban environment was equal to the mere 23 percent, while in other cities the level of quality of the urban environment was recognized as unsatisfactory.

Also, it is to be noted that some progress – though controversial – was made in resettlement of people from the dilapidated and emergency housing. On one side, in January–November 2019

the RF President on June 28, 2019. It seems that the advantage of this law consists in the establishment of the system-based order and the reduction of risks related to individuals' buying and building of housing, while its disadvantage is the lack of perceived implications related to the implementation of this draft law for the building industry (the impact on housing commissioning, prices and developers' financial stability) and so for macroeconomic and social consequences for the development as a whole.

¹ URL: <http://kremlin.ru/events/president/news/62762>.

² The indicators of the home loan (mortgage) market. URL: <https://cbr.ru/statistics/pdko/Mortgage/>.

³ Instruction No.510-r of March 23, 2019 of the Government of the Russian Federation.

the number of persons who moved from the inadequate housing amounted to 22,200 persons as compared with 8,200 persons planned to be resettled under the national project, that is, the target indicator was surpassed by 200 percent. Judging by the results of 2019, the plan of implementation of the program of resettlement from the emergency housing was surpassed by 500 percent (about 800,000 m² of housing against the planned 140,000 m²).¹ On the other side, this level of the indicator was achieved mainly owing to a few key regions, but in a number of other regions the program of resettlement of people from the emergency housing did not even begin as of the end of 2019 (the total of ten subjects of the Russian Federation: the Republic of Altai, Dagestan, Ingushetia, Tyva, Kabardino-Balkaria, the Transbaikal Territory, the Stavropol Territory, the Tambov Region, the Tver Region and the Jewish Autonomous Region).² It is noteworthy that the replacement of the dilapidated housing takes place – though at a slow rate – mainly in large cities, while in other regions the housing stock is getting obsolete.

The main conditions for achievement of the national goal “Improvement of Housing Conditions for at Least 5 Million People Annually” and target indices of the national project are the following: first, the reduction of the real interest rate on mortgage loans and, second, creation of resources for the substantial reduction of costs related to building of new housing with a high quality of the existing housing and urban environment maintained. All these things need to be done during the switchover to project methods of housing development funding used all over the world.

The “Ecology” national project

Throughout 2019, the higher attention was paid to the “Ecology” national project.³ It includes 11 federal projects, however, the highest public response and officials’ close attention were focused on federal projects which were meant to deal with waste management issues: the “Clean Country” federal project and the “Comprehensive System of Municipal Solid Waste Treatment” federal project. In this sector, the most serious developments took place early in 2019.

In particular, the regulatory and legal framework was established for the implementation of the national project with the following documents approved:

- A federal law on summary calculations and the mechanism of establishing emission quotas in large industrial centers;⁴
- The procedure for development, approval and adjustment of the federal scheme of municipal solid waste treatment;⁵
- The procedure for development, setting and revision of the quality standards of chemical and physical indices of the condition of the environment for individual components of the natural environment;⁶
- The procedure for issuing comprehensive ecological permits;⁷

¹ URL: <http://kremlin.ru/events/president/news/62762>.

² The meeting of the Presidium of the Presidential Council on the Strategic Development and National Projects. URL: <http://government.ru/news/38543/>.

³ The information on the national project. URL: <http://government.ru/rugovclassifier/848/events/>; The charter of the “Ecology” national project. URL: <http://government.ru/info/35569/>.

⁴ Federal Law No.195-FZ of July 26, 2019 “On Staging of the Experiment on Establishing Quotas on Pollutant Emissions and Amendment of Individual Statutory Acts of the Russian Federation as Regards Reduction of Air Pollution.”

⁵ Resolution No. 181 of December 25, 2019 of the Government of the Russian Federation

⁶ Resolution No.149 of February 13, 2019 of the Government of the Russian Federation.

⁷ Resolution No.143 of February 13, 2019 of the Government of the Russian Federation.

- The decision on the conversion of the facilities used for the elimination of chemical weapons into interregional technical industrial complexes dealing with processing, utilization and decontamination of extremely and highly dangerous wastes.¹

The positive factors are the following:

- The start of the waste management reform in most regions of the Russian Federation;
- The establishment of the “Russian Ecology Operator” public company and appointment of FGUP “RosRAO” as the federal operator to manage waste of hazard class I and II;
- The inclusion of the “Quality of the Environment” index in the list of indices for evaluation of the efficiency of performance of high-ranking officials of subjects of the Russian Federation;²
- Liquidation of 17 sites of the accumulated environmental damage and 16 unauthorized dump sites;
- Cleaning of 22,000 km of the coastal strip of water bodies;
- Establishment of 5 national parks;
- Organization of the monitoring by the Accounts Chamber of the Russian Federation of the indices of the “Ecology” national project;
- Organization of the public monitoring and comprehensive audit of the waste treatment industry (the Public Chamber of the Russian Federation and the All-Russia People’s Front).

Among the factors which slow down the full-scale implementation of the national project, it is necessary to point out the following:

- A lack of measures aimed at the implementation of the state policy priorities in waste treatment, particularly, minimization of waste generation;
- Insufficient information and non-transparency in decision-making;
- The “Nasha Priroda” (Our Nature) federal government information system’s failure to work;
- Lack of a single concept of ecological education in Russia; the failure of the mechanism of collection, storage and transportation of valuable recoverable resources;
- Lack of mandatory separate accumulation and collection of municipal solid waste (MSW) in territorial schemes of most regions of the Russian Federation;
- Negatively-charged emotional background of the implementation of the waste management reforms;
- Regional operators’ bankruptcy risks and other.

According to sociological surveys, every second resident of the Russian Federation is satisfied with the organization of collection and removal of the municipal solid waste with the highest share of such persons found in the Privolzhsky Federal Okrug and the Urals Federal Okrug. At the same time, the launch of the MSW reform was accompanied in numerous regions (the Archangelsk Region, the Tyumen Region and other) by standoffs and conflicts over dump-sites.

There is a particular concern over MSW and building waste shipments from Moscow and the Moscow Region to regions either with no waste treatment facilities or own MSW landfills filled nearly to full capacity (the Vladimir Region, the Yaroslavl Region and other). Such factors trigger off social tensions, protests and distrust to the authorities and any decisions they make. Such developments may lead to a situation where the authorities’ moves in respect of the

¹ Resolution No.540 of April 30, 2019 of the Government of the Russian Federation.

² URL: <http://www.kremlin.ru/acts/assignments/orders/59450>.

waste treatment sector and the processes of building of infrastructure facilities and networking with investors are blocked and obstacles are created on the way of implementation of the “Ecology” national project. Also, there are doubts about ecological expediency of the decision on setting MSW heat processing equal to waste treatment.¹

Within the framework of the “Clean Air” federal project, a comprehensive plan of air pollution reduction in large industrial centers was approved. In addition, during 2019 the regulatory framework for the establishment of the automated control over pollutant emissions and pollutants discharges continued to be formed.² In 2019, the methods of assessment of target indicators of all federal projects included in the national project, as well as almost all (98 out of 99) regulatory acts, which were to be adopted, were approved.

Overall, the measures implemented in 2019 within the framework of the national project and federal projects which were a part thereof were aimed at achieving intermediate results in terms of the quantity of the national project’s target indicators, that is, over $\frac{3}{4}$ of target indicators. At year-end 2019, target values were achieved as regards 41 indicators. For example, within the framework of the “Comprehensive System of Municipal Solid Waste Treatment” federal project the volume of MSW sent for processing exceeded the target value. Within the framework of the “Forests Preservation” federal project, targets values of the “ratio of the forest restoration area and forest cultivation area to the felled forest and lost wood area” indicator and the “forest restoration and forest cultivation area” indicator were surpassed.

In 2019, the implementation of the “Ecology” national project was highly criticized by the Accounts Chamber of the Russian Federation. In auditors’ opinion, the charter of the Ecology” national project fails to reflect its contribution to the achievement of the national goals of development, the implementation of the national project is carried out with faults and the deadlines of various activities are not met.³

Despite the fact that at year end 2019 the cash administration of the national project turned out to be at a low level (66.3 percent⁴), in terms of achievement of the indicators’ target values it cannot be said that the “Ecology” national project lags behind a lot. At the same time, it is necessary to mention problem lines of activities of this project. In particular, within the framework of the “Preservation of the Baikal Lake” federal project, there were difficulties with implementation of measures, so target indicators’ values failed to be achieved.

The “Safe and Quality Highways” national project (SQH)

The “Safe and Quality Highways” national project is aimed at upgrading the standard of highways in big cities and metropolitan areas.⁵ Despite some “starting premise” created, in the framework of the “Safe and Quality Highways” priority project which was carried out in 38 large metropolitan areas (with the population of over 400,000 people) in 2016–2018 (its implementation was expected until 2025⁶) and improvement of the situation in the road sector on roads of large metropolitan areas, the implementation of the national project was

¹ URL: <https://sozd.duma.gov.ru/bill/568200-7>.

² URL: <http://docs.cntd.ru/document/553884118>.

³ URL: <https://www.interfax.ru/russia/69092>.

⁴ URL: <https://futurerussia.gov.ru/nacionalnye-proekty/scetnaa-palata-na-nacproekty-v-2019-godu-bylo-zatraceno-9145-zaplanirovannyh-sredstv>.

⁵ The information on the national project. URL: <http://government.ru/rugovclassifier/844/events/>; The charter of the “Safe and Quality Highways” national project. URL: <http://government.ru/info/35558/>.

⁶ The charter of the “Safe and Quality Highways” priority project was approved by the Presidium of the Presidential Council on Strategic Development and Priority Projects (Record No. 10 of November 21, 2016). URL: http://bkdrf.ru/uploads/documents/18_04_18/паспорт%20приоритетного%20проекта.pdf.

characterized by some lag and a failure to meet the deadlines already in 2019 (in most cases the minimum delay amounted to 1–3 months) and these factors formed negative expectations at the initial stage of implementation of the project in terms of meeting the deadlines set for achievement of the key reference points of the national project.

For example, the official report on the conclusion of agreements between the subjects of the Russian Federation and the Federal Road Transport Agency (FRTA) appeared on April 9, 2019¹ with a month delay as compared with the initially planned date (March 1, 2019). However, as of that date the process of conclusion of agreements was not completed: at the official website of the FRTA it was reported that the process of conclusion of agreements was fully completed with municipal governments of 16 subjects out of 83 subjects of the Russian Federation (19 percent of participants). In mid-2019, the information on completion of a number of measures was unavailable on the official websites of the agencies and the mass media monitoring the implementation of the national project despite a delay of 1–6 months as compared with the initially set deadline.

The difficulties in implementation of road projects emerged in individual regions, too. So, at the meeting² of the SQH project committee held on June 5, 2019 it was underlined that the deadlines for signing contracts in 2019 failed to be met (the process was to be completed no later than May 31, 2019) in individual regions where the share of concluded contracts was below 40 percent (the Tver Region, the Republic of Mordovia, the Jewish Autonomous Region; the Republic of Crimea and the Chukot Autonomous Okrug – less than 10 percent). At the same time, it is noteworthy that in respect of the total of 6,200 facilities included into the competitive tendering plan-schedule contracts were concluded on 4,900 facilities (78.8 percent).

The contractual work-related problems were complicated by difficulties in correct assessment of the initial and current condition of motor roads in a number of regions in terms of compliance thereof with the regulatory requirements. In particular, a substantial misstatement of the statistics as regards the share of motor roads complying with the regulatory requirements was identified and this fact was made public on the SQH official website.³ Similar substantial statistical distortions affect seriously the achievement of the target values of the national project's indicator. As regional parameters determine the overall target index across all regions, failures may lead to ineffective strategic decisions which are taken at the federal, regional and municipal levels.

Due to the fact that the national project suggests conclusion with subjects of the Russian Federation of the agreements on the implementation of the national project where target indicators and the dynamics thereof are taken into account, errors of statistical measurement of target indicators affect negatively the process of implementation of projects at the level of each region, too. To minimize such deviations, it is advisable to carry out regular random inspections of regional statistical services to readjust measurements of the provided indicators.

The additionally outlined problems became more complicated primarily because of the concentration of the main portion of the activities to be carried out under the national project at

¹ The FRTA agreed on allocation of funds on the “Road” national project with all regions. URL: <https://tass.ru/nacionalnye-proekty/6310367>.

² For more details, see: URL: <https://www.mintrans.ru/press-center/region-news/9135>.

³ In particular, based on the results of the year 2018 the share of motor roads of regional importance complying with the regulatory requirements is much lower than in 2017: the Amur Region (-45.4 percentage point), the Magadan Region (-53.5 percentage point), the Kursk Region (-17.3 percentage point), the Perm Territory (-13.5 percentage point), the Altai Territory (-11.4 percentage point). For more details, see: URL: <http://bkdrf.ru/news/read/mintrans-i-rosavtodor-proveryat-statisticheskie-dannye-regionov-o-sostoyanii-dorozhnoy-seti>.

the end of 2019 and later periods. In individual cases, at the launch of the national project this situation did not permit to remove the regulatory barriers and had an impact on the achievement of target values of some SQH project indicators in 2019. For example, the implementation of the activities in respect of the reduction of the period of approval of the required regulatory acts at the federal level to unite overhaul, road repairing and maintenance jobs in one lot was planned only late in 2019 (in compliance with the charter of the SQH project it was scheduled for December 31, 2019). At the same time, in 2019 “within the framework of the implementation of the regional project the share of the contracts on road activities envisaging the fulfillment of jobs based on the principle of a life cycle contract which permits various types of road jobs to be united into a single contract” should be equal at least to 10 percent of the overall number of new state contracts on fulfillment of overhaul, road repairing and maintenance jobs. At the same time, in compliance with the existing regulatory base the inclusion of the combination of various types of jobs in a single contract is inadmissible and, consequently, apart from direct limitation on such contracts’ implementation, this factor will affect the availability of debt financing for contractors within the framework of the life cycle contract (LCC) (banks’ refusal to grant loans).

At the same time, based on the results of 2019 according to the official statistics all target indicators of the national project were achieved, including the indicator “share of the contracts on road activities envisaging the fulfillment of jobs based on the principle of a life cycle contract which permits various types of road jobs to be united into a single contract” which value was equal to 12.5 percent. The deviations from the deadlines were observed with only eight activities which were planned to be carried out in 2019. In most cases they were related to delays in approval of developed regulatory documents (for example, regulatory acts on road safety, introduction of the “free flow” toll-charging system, relevant control over toll payments on toll roads and other) and procurement procedures.

The “Labor Productivity and Employment Support” national project

A key goal of the “*Labor Productivity and Employment Support*” national project¹ consists in promotion of labor productivity in the economy as a whole² and selectively at individual enterprises (as in the federal project on target support of enterprises), as well as creation of opportunities for retraining and employment at a new job in case of release of the workforce as a result of implementation of the first two goals. The key activities of the national project are aimed at the removal of barriers which increase transactional costs of all enterprises on introduction and the subsequent diffusion of technologies, business processes’ best practices and management models developed within the framework of the target support of enterprises which are participants in the national project and formation of institutional foundations of long-term growth in labor productivity and, consequently, economic output.

At the same time, it is important to point out the disadvantages of the structuring of the national project related to the lack of direct compliance of target indicators of Executive Order No.204 with the pattern of the national project; the lack of reference to the related national goals set out in Executive Order No.204 (the implementation of the project is expected to facilitate, for example, the achievement of the goal to enter the top-5 global economies); the lack of

¹ The information on the national project. URL: <http://government.ru/rugovclassifier/865/events/>; The Charter of the “Labor Efficiency and Employment Support” national project. URL: <http://government.ru/info/35567/>.

² The “System-Based Measures on Upgrading Labor Productivity” federal project includes the main horizontal measures aimed at upgrading overall labor efficiency in the economy.

hierarchy of projects and activities therein. Also, their correlation with one another is not elaborated enough.

In 2019, the implementation of the national project was carried out with varying degrees of success across its individual lines of activities. So, in 2019 over 1200 enterprises were involved in the activities of the national project (over 100 percent of the target number set for the year), over 10,000 employees of enterprises were trained to new approaches how to increase labor efficiency (over 100 percent of the target number of 9,380 employees set for the year), 33 regional centers of competence (with the planned number of 31 centers set for the year) were established.¹ The support measures provided within the framework of national project were used by 110 mid-sized and large enterprises of the non-oil and gas sector (as compared with the planned 60 enterprises). Overall, in 2019 37 subjects of Russian Federation took part in the national project (against the planned 29 subjects of the Russian Federation).

It is to be noted that training of managerial human resources of enterprises – participants in the national project – was slower than expected because of the diversified nature of the planned educational activities. A similar situation was observed with training of participants in the “School of Export” national project of the Russian Export Center: less than a half of companies was covered by training during the year. The main factors behind this situation include a high price of training (participant-companies pay 50 percent of the price) and organization-related problems.

It is to be noted that the actual official statistical data on the achieved values of the labor productivity index at mid-sized and large enterprises of the non-oil and gas sector at year-end 2019 will be available only in July 2020 by virtue of problems related to the organization of the evaluation process. So, it is infeasible to assess the efficiency of the implemented measures in terms of this key indicator of the national project.

Further results of the activities of the national project will depend crucially on the mechanisms of implementation and the criteria of provision of one or another form of support. It is feasible to identify the following *key risks*.

1. Despite its horizontal ideology, the “System-Based Measures to Upgrade Labor Productivity” federal project depends largely on the selection of participant-enterprises. A number of privileges – particularly soft-term financing – are envisaged only for companies which actually receive support within the framework of another federal project (“Target Support ...”) in networking with the Federal Competence Center. However, the need of linking the soft-term financing to concrete actions aimed at upgrading labor productivity where investments are required is not taken into account. In the final analysis, this approach is coupled instantly with the following three risks:

- a) Ineffective lines of companies’ development, which are not related to efficiency upgrading can be financed;
- b) Substantial destabilization of operation of individual markets owing to intensive state interference amid lack of concrete justified criteria of target support of enterprises (it primarily concerns the “Target Support of Upgrading of Labor Efficiency at Enterprises” federal project) may happen;
- c) The work with enterprises which lag behind in terms of labor productivity is left beyond the framework of the project.

¹ The Federal Competence Center, производительность.пф. (efficiency.rf)

2. In addition, there is a shift of focus of support towards enterprises with a rather high level of labor productivity. It stems from the conditions of provision of state support and inclusion of firms into pilot projects which they are selected for with a number of criteria taken into account. It is noteworthy that the mechanisms of technological diffusion between firms which are not participants in the project remain unclear, while the achievement of the annual labor productivity growth rates of 5 percent by 2024 is referred to all mid-sized and large enterprises of the non-oil and gas sector of the economy. So, the substantial risk of implementation of the federal project is the risk of a possible scaling of input measures from the level of pilot projects to broader horizons. In addition, the target support measures for enterprises – for instance, consultations of experts of the Federal Competence Center – envisaged in the federal project may undoubtedly boost efficiency at some enterprises by means of removal or upgrading of various ineffective components of the business process. However, this approach suggests a rather limited effect. The specified support measures promote efficiency at enterprises actually one-time (or on the horizon of a few years depending on the scale of production and the need of the required transformation), but do not offer the mechanisms of sustainable long-term growth in labor productivity in the mid-term and, the more so, long-term prospects.

3. As regards the technological diffusion, the national project is aimed mainly at the transfer of foreign technologies and the exchange of expertise between companies participating in the project. At the same time, the OECD believes that the main mechanism of technological diffusion¹ is the effective networking between the fundamental science and the private sector aimed at ensuring long-term and sustainable growth. In combination with the selection of the recipients of national project measures, it can be related to the risk of a failure to ensure long-term sustainable growth in labor productivity and economic output. Instead, a short-term effect of growth in labor productivity and output at individual enterprises is highly likely and it will remain during the implementation of federal and national projects. In such a case, the self-sustaining mechanism of efficiency growth (and, subsequently, economic growth) may never be started at all.

The “Science” national project

*The “Science” national project*² (hereinafter SNP) plays an important role in achievement of the national goal: “the speed-up of the technological development of the Russian Federation and promotion of the number of entities engaging in technological innovations up to 50 percent of the total number thereof.” A key goal of the SNP is the establishment of research and educational centers (REC), which should become R&D engines in the forthcoming years.

To some extent, a portion of activities of the SNP are of the nature which is typical of the previous years. Owing to the previous years’ preliminary work, in 2019 within the framework of the SNP 5 REC, 7 world-class research centers (4 mathematical centers and 3 genetic centers) and over 280 research labs for the youth were established.³ In 2019, the values of all target indicators of the SNP were achieved and the national project’s cash administration was equal

¹ Demmou, L., Wörgötter A. Boosting Productivity in Russia: Skills, Education and Innovation // OECD Economics Department Working Papers. No. 1189. OECD Publishing, Paris, 2015. URL: <https://doi.org/10.1787/5js4w26114r2-en>.

² The information on the national project. URL: <http://government.ru/rugovclassifier/851/events/>; The charter of the “Science” national project. URL: <http://government.ru/info/35565/>.

³ The 12th Meeting of the Board on Promotion of Competitiveness of Russia’s Leading Universities among the World’s Leading Research and Educational Centers. URL: <http://government.ru/news/38200/>.

to 99.1 percent¹ (the best index value among all national projects in 2019). However, Russia's position in the world's ratings and in terms of the national project's key indices did not change. So, as regards the unit weight in the overall number of patent requests for inventions submitted worldwide in the fields determined by the priorities of science and technology, Russia occupies the 8th position in the world (the 9th position in 2018), while as regards the index of the number of research in full-time equivalent among the world's leading countries it is likely to be rated the 5th (the 4th place in 2018).

At the same time, for successful implementation of the SNP it is crucially important to ensure the institutional consistency of the SNP's selected target indicators and the proposed complex of activities and models in respect of which the selected indicators and activities facilitate the achievement of the national goal.

As per the findings of the research by the R&D Club, 77 percent and 84 percent of large Russian companies have never bought licenses (patens) from higher educational establishments (HEE) and HEE-established companies, respectively.² The existing institutional gap between the science and industry is expected to be overcome by means of REC. However, the synergistic effect from the combination of science, education and industry can be achieved only within the framework of specific projects, which determine the list of REC participants, their research lines in the framework of specific industries with the global market situation taken into account. However, the SNP does not identify the request of large companies for development of various technologies as a key stimulating mechanism of REC designing. In addition, as per the charter of the SNP, in the first year of establishment of the REC the funding of its operations out of extra-budgetary sources is expected to surpass by 100 percent the financing out of the federal budget (by 500 percent in 2024). This factor alone points to the leading role of real sector companies in designing REC, but it is not reflected in the SNP's activities.

As of 2017, Russia's share in global expenditures on science as regards academic staff was equal to the mere 2 percent, while those of the US, to 26 percent, China – 21 percent, the EU – 20 percent and Japan – 9 percent. In 2018, the two-thirds of Russia's internal costs on R&D were financed out of the state budget and only by one-third (33.8 percent), by the business. It is noteworthy that in 2017 the business accounted for 60.1 percent of R&D costs, while the public sector, for the mere 30.4 percent.³ In other words, Russia demonstrates a non-traditional pattern of R&D financial sources and costs among economically developed countries.

The expected two-fold growth in internal costs on R&D by 2024 upon the implementation of the SNP is expected to be facilitated primarily by the business sector's funds which volume is planned to be increased by 300 percent (from RUB 265 billion to RUB 1060 billion). For this purpose, work with the private sector within the framework of the national project should be stepped up.

¹ URL: <https://futurerussia.gov.ru/nacionalnye-proekty/kassovoe-ispolnenie-nacproekta-nauka-v-2019-godu-prevysilo-99>.

² *Makeyeva A., Savelyev A.* Undergraduate Education // The Kommersant daily. July 6, 2016. URL: <https://www.kommersant.ru/doc/3006400>.

³ *Ratai T.V.* Internal Coats on R&D in the Russian Federation: Growth Begins to Take Shape // The Bulletin of the Institute of Statistical Research and Knowledge-Based Economy, NRU HSE of September 19, 2018 r.

The “Digital Economy of the Russian Federation” National Program

A larger portion of the activities of the “*Digital Economy of the Russian Federation*” national program¹ planned for 2018–2019 is of a preparatory nature. The implemented measures should outline the rules of regulation of industries with their utilization of digital technologies and a switchover to new models of organization of activities taken into account (the “Statutory Regulation of the Digital Environment” federal project), the principles and lines of development of the information and communication technology (ICT) market (the “Digital Infrastructure” federal project), labor market needs in personnel amid the new methods of organization and operation of markets (the “Personnel for Digital Economy” federal project), goal-setting in information security (the “Information Security” federal project), the key criteria of the development of end-to-end digital technologies with market needs taken into account (the “Digital Technologies” federal project), as well as goal-setting in the public and municipal services sector (the “Digital State Management” federal project).

A lack of the data on the development of the digital economy in Russia in the official information does not permit to assess adequately the results of implementation of the national project. In particular, at present there is no information on the indicators: “the share of costs on the development of the digital economy, as % of GDP”, “the share of the Russian Federation in the global volume of data storage and processing services rendered”, “the number of backbone centers for data processing in federal okrugs”, “the average period of idleness of state information systems caused by computer attacks”, while the values of the indicators “the share in money terms of purchased and (or) leased by state corporations and companies with state participation of domestic software” and “the share in money terms of purchased and (or) leased by federal executive authorities of subjects of the Russian Federation and other state authorities of domestic software” are estimated in terms of individual agencies.² At the same time, it is necessary to point out a low cash administration of the national project (73.3 percent³ – the lowest index value across all national projects), delays in approval of the federal law “On Experimental Legal Regimes”, which is crucial for development of end-to-end technologies and other regulatory acts stimulating technological development.

At the same time, it is noteworthy that a substantial portion of target indicators of the national project was not calculated until 2019; the development of the methodology took place late in 2018 – early in 2019 and as of the year-end they either lacked an official approval (discussion and further elaboration were needed) or the additional data for comprehensive calculation of target values was required.⁴

Apart from the target indicators proposed in the national program, it seems feasible to expand their list by means of including, among other things, indicators which characterize the efficiency of utilization of the created infrastructure, the competitiveness of purchased software, reduction of the intermediary services market and other.

¹ The information on the national project. URL: <http://government.ru/rugovclassifier/614/events/>; The charter of the “Digital Economy of the Russian Federation” national project. URL: <http://government.ru/info/35568/>.

² This information is not available in the public domain.

³ URL: https://www.minfin.ru/ru/press-center/?id_4=36929-predvaritelnye_dannye_ob_ishpolnenii_raskhodov_federalnogo_byudzheta_na_ryealizatsiyu_natsionalnykh_proektov_na_1_yanvarya_2020_goda.

⁴ For example, for calculation of the indicator: “domestic costs on development of the digital economy by means of all sources on the basis of the share in the country’s gross domestic product, %” requires collection of the data in compliance with the following updated forms: form No. 3-inform, form No.2-science, form No.85-K, form No.OO-2, form No.SPO-2, form No. PO, form No.1-DOP, Form No.1-PK.

A portion of measures became to a large extent¹ activities aimed at identifying the legal environment for utilization of digital decisions in different sectors of the economy and promoting accessibility and volumes of the ICT infrastructure.² However, these decisions are of nationwide importance. The formation of the legal environment for implementation of the goal at the regional level is delayed.

Further development of the national program can be related with additional risks, including the following:

1) Infrastructure risks. Despite the approval of the concept of building and development of narrow band wireless “Internet of things” communication networks, lack of the required infrastructure and uncertainty over frequency selection in the development of 5G/IMT-2020 networks³ may result in the extension of the period of introduction of a large portion of end-to-end technologies. In addition, the data flow rate and technical requirements to hardware peripherals depend on the frequency band selection in which 5G networks are going to be put into operation. One of the debated options – the creation of 5G/IMT-2020 networks with use of a 25.25–27.5 GHz frequency band may entail additional risks related to a lack of relevant equipment and technologies for development and building of networks;

2) Financial risks. A large portion of activities suggests provision of state support to companies dealing with development of digital technologies. It is to be noted that direct subsidies will not motivate market participants to boost their efficiency; on the contrary, subsidized companies will be prompted to adopt a rent-seeking behavior. Accordingly, it seems necessary to promote businesses’ interest in digital transformation processes to ensure growth in the share of the private sector’s R&D costs on information and communication technologies;

3) Regulatory risks. A substantial portion of activities under the “Statutory Regulation of the Digital Environment” federal project suggesting the reduction of regulatory barriers for development of the digital economy should be carried out in 2019-2020. It is noteworthy that a large portion of regulatory acts, which were meant to create the technical feasibility and rules of utilization of digital technologies within the framework of experimental legal regimes, legal and notarial procedures, the electronic civil document flow, protection of intellectual property rights and other were neither developed, nor developed partially, so their adequate development is going to be impeded owing to this factor.

The “Culture” national project

The trajectory of implementation of the “Culture” national project⁴ is mainly the continuation of the implemented program lines of activity of the RF Ministry of Culture. The national project follows the logic of the previous stage, includes no innovation instruments

¹ Except for the “Digital State Governance” federal project.

² In particular, legal efforts were determined for formation of the electronic civil document flow, as well as the legal environment for legal and notarial procedures owing to the development of the digital economy; the Single Register of Russian Software was developed; seven road maps for development of end-to-end digital technologies were approved; the norms ensuring preferences for Russian-made computer, server and telecommunication equipment, software and other were legally guaranteed.

³ The pilot project on the 5G-network launch in Russia is being carried out on various frequencies. For example, in Moscow base stations were put into operation on 4.8–4.99 GHz frequency in Skolkovo, on 28 GHz frequency in Moskva-City, Vorobiev Hills and Tverskaya Street and on both frequency bands at the VDNKh.

⁴ The information on the national project. URL: <http://government.ru/rugovclassifier/842/events/>; The charter of the “Culture” national project. URL: <http://government.ru/info/35562/>.

aimed at solving the objectives of development and pursues the idea of the status quo being preserved, while all activities and planned results formalize to a great extent the activities which have already been carried out.

The national project is focused on upgrading the material and technical base of the sector and does not regard the non-government sector of culture as a zone of its interest and influence. The emphasis on the modernization of the physical infrastructure of the sector which is explicitly evident in the pattern of the national project cannot bring about the expected cultural breakthrough as it is not underpinned by the system-based work to promote the standard and variety of cultural products and services meeting the broad audience's new requests through the development of the "soft" infrastructure, that is, education, new types of cultural activities, new models of operation of cultural institutions and management formats. Actually, the situation of the cultural infrastructure and its material and technical equipment require urgent measures aimed at modernization thereof, however, it makes sense only in case the institutes of culture are modernized, too.

Further elaboration of the charter of the national project took place in 2019. As compared with the version of the end of 2018, the budget of the "Digital Environment" federal project increased considerably (by nearly 200 percent) with its content remaining unchanged in terms of the range of activities (an activity suggesting "production and placement in the Internet of the information content aimed at promotion the civil identity and moral and spiritual values among the youth" was added without specification what is meant by this activity). This federal project is formed in compliance with the strictly structured sectorial logic without the nongovernment segment of the digital environment taken into account. In the comments, there is a mention of the fact that commercial and non-profit organizations can be included in the list of resources on the voluntary basis and in accordance with the procedure established by the Ministry of Culture of the Russian Federation, but it is obvious that such institutions have no motivation to do it and the Ministry of Culture just makes the data collection job easier for itself without networking with subordinated entities and planning the creation of more complex statistical data collection mechanisms in the sphere of culture as a whole. No extra-budgetary funding in the budget pattern of the national project is envisaged and this is indirect evidence of the fact that the project has its own sectorial specifics. It is to be noted that a larger portion of the budget of the national project is meant for either creation or modernization of the infrastructure (the "Cultural Environment" federal project). The funds which are expected to be allocated on the implementation of the national project are comparable with developed countries' budgets on culture, but they are less than one could expect for an ambitious project. For example, with recalculation into the annual budget it is 2.5 times lower than in the UK, 6 times lower than in Germany and 10 times lower than in France. Overall, the cash administration of the national project was equal to 99.0 percent in 2019.

The "Culture" national project uses only two target indicators: "growth of 15 percent in the number of visits to institutions of culture (an accrued method)" and "growth of 400 percent in the number of applications (million applications) to digital resources in the sphere of culture." Target values as regards both the indicators were achieved in 2019. They were not related directly to any declared national goals; only the latter is indirectly related to the goal: "facilitation of the speed-up introduction of digital technologies in the economy and social services." The fact that it is the least "resource-intensive" national project and, most importantly, the extent of its correlation with other national projects is very low is indirect evidence of culture not being treated as an important factor of the national development and

inclusion of culture in a number of national projects is likely to be a political move rather than one determined by the managerial logic of strategic development.

At the same time, the methods – proposed by the Ministry of Culture – of evaluation of the efficiency of implementation of the “Culture” national project (the form of official statistical reporting) were used as far back as the Soviet period and continued to be utilized in the Russian Federation for several decades without significant modifications. The only advantage consists in the fact that institutions of culture are familiar with those methods.

A serious disadvantage of the proposed instrument is the fact that it does not include in the statistics the non-government sector of culture which has been constantly growing in the past few years and plays an ever more important role in upgrading the conditions for self actualization and discovery of talents of Russian citizens.

The very number of visits to institutions of culture is not a critical value pointing to the efficiency of their operation. The replacement of the extent of participation of citizens in cultural life by the indicator of visits to institutions of culture as the main indicator of the implementation of the national project reduces considerably the effect of the national project on the standard of cultural life of the population.

The national project is formed in terms of the sectorial logic and aimed at solving issues and tasks which are topical to the public sector and includes virtually no measures aimed at motivation of the non-profit and commercial sectors in the sphere of culture, though they are developing actively at present (except for provision of grants to non-commercial organizations with a vague description of their activities).

In reality, a large portion of cultural organizations, particularly, in large cities has long become familiar with modern technologies of work with the audience, fundraising and other forms of work which quite comply with international professional standards, but neither officials nor even experts see any effect from those activities.

The “Small and Mid-Sized Business and Support of Individual Entrepreneurial Initiative” national project

The “*Small and Mid-Sized Business and Support of Individual Entrepreneurial Initiative*” national project¹ (hereinafter SMB) includes a few objectives which generally comply with the pattern of the federal projects:

- Upgrading conditions for entrepreneurial activities;
- Expansion of the access of SMB to financial resources, including soft-term financing;
- Acceleration of small and mid-sized business entities;
- Establishment of the system of support of farmers and promotion of rural cooperation;
- Popularization of entrepreneurship.

The prospects of achievement of the goals of the “Small and Mid-Sized Business and Support of Entrepreneurial Initiative” vary considerably across Russian regions.

The main target indicators of the SMB national project are as follows: the number of the employed in the SMB sector, including individual entrepreneurs (IE) (19.6 million persons in 2019; 25 million persons by 2024); the share of SMB in GDP (20.5 percent in 2019; 32.5 percent by 2024) and the share of SMB’s exports in the overall volume of non-oil and gas exports (8.8 percent in 2019; 10 percent by 2024).

¹ The information on the national project. URL: <http://government.ru/rugovclassifier/864/events/>; The charter of the “Small and Mid-Sized Business and Support of Individual Entrepreneurial Initiative”. URL: <http://government.ru/info/35563/>.

The data on the share of SMB in GDP are published once a year with a big delay¹, so in a shorter time interval it is infeasible to trace the effect of federal projects on this indicator. In previous years, the dynamics was ambiguous owing partially to the modification of methods.² Growth in the share of SMB in GDP which started in 2017 changed for a decline in 2018: 23 percent in 2015; 21.6 percent in 2016; 21.9³ percent in 2017; 20.2 percent⁴ in 2018.

At year-end 2019, the share of exports by SMB, including individual entrepreneurs in the overall volume of the non-oil and gas exports amounted to 9.8 percent (8.6 percent in 2018), having surpassed the target values of 8.8 percent. However, as regards the number of persons employed in the SMB sector, including individual entrepreneurs, the target value of 19.6 million persons was not achieved. At year-end, it was equal to 19.3 million persons (19.2 million persons in 2018).

The main difficulties within the framework of implementation of the national project were related to delays⁵ in approval of the regulatory regime, in particular, in respect of the rules and principles of organization of nonstationary and mobile trade by SMB and submission of tax reporting. In addition, it is to be noted that there are difficulties related to provision of financial support to SMB entities: the indicators seen in 2019 were below the planned ones, which can be explained to some extent by quite high initial requirements set to the receipt of easy-term loans and insufficient number of SMB entities which could meet the loan-granting criteria. At the same time, the statistical reporting on a substantial number of indicators within the framework of implementation of the national project will be available in Q1 – early in Q2 2020, so, it is infeasible to assess the risks. Overall, as of the end of 2019 41 activities (results) under the national project were carried out, while the implementation of seven other activities was delayed. The cash administration of the national project was equal to 93.1 percent.

Further implantation of the national project should be carried out with the need of upgrading the statistical reporting system and digitalization thereof taken into account. A special attention should be paid to the regions of Far North (the Arctic zone of the Russian Federation) where the difficulties in operation both of SMB entities and the statistical reporting system are even more evident.

¹ The deadlines of official publication of the statistical information were determined in the Federal Plan of Statistical Work, that is, annually on December 31 of the year following the reporting year; the assessment is carried out by the Rosstat and the Federal Tax Service of the Russian Federation.

² According to the Rosstat, the comparison of the presented data for 2015–2016 in the dynamics is not correct because of the modification of the criteria of attribution of business entities to the SMB entities in 2016.

³ Institutional restructuring in the economy and the number of large and mid-sized enterprises and entities. The Rosstat, 2018. URL: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1139841601359; The report on the findings of the research into the situation and development of SMB in the Russian Federation, outputs of implementation of measures of support SMB and development of the evaluative forecast of SNB development. Moscow: AO “Corporation “MSP”, 2018. URL: https://corpmsp.ru/about/deyatelnost/monitoring-okazaniya-podderzhki-subektam-msp/rezultati_issledovaniya/.

⁴ The Rosstat registered a decrease in the share of small business in the economy. URL: rbc.ru/economics/28/01/2020/5e2eda219a79473c798d3692.

⁵ The federal draft law “On Amendment of the Federal Law “On the Principles of State Regulation of Commercial Activities in the Russian Federation” and Article 28 of the Federal Law “On the Main Guidelines for Organization of Local Government in the Russian Federation” (as Regards Upgrading the Legal Framework of Organization of Nonstationary and Retail Trade.”

The “International Cooperation and Exports” national project

The “International Cooperation and Exports” national project¹ can be an example of the effect of macroeconomic trends and a number of historical episodes, as a consequence of which one or another production oriented more on meeting the needs of the domestic market rather than exports was established, on the implementation of national goals and is an important indicator of accomplishment of plans of structural transformation of the economy. Growth in value of exports of non-oil and gas commodities, as well as services is the goal of this project. However, to facilitate sustainable growth in the volume of sophisticated products in exports it is important for Russian manufacturers, on one side, to upgrade the quality and sophistication of goods of Russian exports (including by means of boosting efficiency and opening up new commodity and technological niches in which potential competitive advantages of the Russian industry could be used), while, on the other side, win new geographic markets, including those in developed countries. Exporters’ focusing on traditional sales markets and lack of considerable structural changes in the Russian manufacturing (an increase in the share of competitive world-class production) can be an explanation of the fact why the commodity diversification fall short of the planned targets. An important step to achievement of the goals of the national project is the selection of such economic policy instruments – aimed at modification of the exports pattern – which are adequate to the complexity of the problems that exporters encounter. In particular, export subsidies and loans can happen to be insufficient in those cases where for the sake of achievement of higher export results companies need to carry out large-scale transformations, including technical overhaul, use of new technologies, renewal of their staff of engineers, designers and managers and other. The complexity of problems which companies have to deal with may be the result of previous decisions in conformity with which the company was established to meet the internal demand, rather than work for exports. In such a situation, a company may need large investments to carry out a large-scale restructuring, rather than target support. It does not mean that the government is not obligated to provide such a company with resources for restructuring, nor should it give the support which fails definitely to facilitate the achievement of the expected results.

At year-end 2019, Russia’s non-oil and gas exports amounted to USD 154.6 billion, which means they were slightly short of the target of USD 160 billion. Despite overall growth as compared with 2018, target values failed to be achieved in 2019 as regards the volume of exports of individual types of products:

- Light industry: USD 1.4 billion (USD 1.2 billion in 2018) with a target level of USD 1.5 billion;
- Iron and steel industry: USD 47.9 billion (USD 42.1 billion in 2018) with a target level of USD 51.0 billion;
- Pharmaceutical and cosmetics industries: USD 1.6 billion (USD 1.4 billion in 2018) with a target level of USD 1.8 billion;
- Engineering: USD 34.1 billion (USD 33.0 billion in 2018) with a target level of USD 37.0 billion;
- Timber industry: USD 10.9 billion (USD 9.5 billion in 2018) with a target level of USD 12.4 billion.

¹ The information on the national project. URL: <http://government.ru/rugovclassifier/866/events/>; The charter of the “International Cooperation and Exports” national project. URL: <http://government.ru/info/35564/>.

At the same time, exports of chemical products, including petrochemicals and gas refining products increased to USD 24.7 billion in 2019 (USD 17.4 billion in 2018) with the target value of USD 22.4 billion; it can be explained, among other things, by gradual appreciation of prices of export products on the global market.

In addition, it is noteworthy that despite growth in absolute terms as compared with 2018 (USD 52.4 billion) the volume of trade turnover between Russia and the member states of the Eurasian Economic Union failed to be achieved; at year-end 2019 it was equal to USD 57.2 billion with the target value of USD 58.9 billion.

Probably, the selection of high values of target indicators for the national project was largely determined by success in exports seen in the past few years. So, agro-industrial exports, as well as exports of services recently grew at a double-digit rate. Such results formed positive expectations of sustainable growth in export revenues and facilitated drafting of plans envisaging further growth in such revenues owing, among other things, to growth in real volumes of exports.

Slow growth in non-oil and gas exports can be also explained by the withdrawal of a number of foreign manufacturers from the Russian market because of their businesses becoming unprofitable. For example, late in March 2019 the Ford Company made public its decision to exist the Russian automotive market. The company announced that it would close up its carmaking division in Russia.

At the same time, in 2019 all activities aimed at underpinning exporters within the framework of the national project were carried out and the values of the target indicators – “conclusion of agreements on support of corporate programs of upgrading competitiveness in industry” and “efficiency of measures to support exports of products of the agricultural sector” were achieved. Overall, in 2019 cash administration of the national project was equal to 89.1 percent.

The structural transformation of the economy and building up of volumes of non-oil and gas exports envisaged by the “International Cooperation and Exports” national project are important steps towards achievement of sustainable economic growth rates. This objective can be attained by means of promotion of the competitive edge of the Russian non-oil and gas products; the entry by the most successful Russian companies to global markets is a reliable indicator of this process. At the same time, the consolidation of the role of exporters selling more sophisticated products on the international market can proceed in different ways. More successful exporters (more competitive and efficient companies) sell more goods not only to their geographic neighbors, but also wealthy economies, while less successful ones, which Russia is attributed to, sell their products mainly to their close geographic neighbors. A switchover to the first model is not easy and requires elaborate monitoring and planning. In particular, based on the instruments of state support of exports it is necessary to find such decisions that are adequate to problems hindering companies’ export development and important not only for achievement of the target indicator values of the national project which is a step towards structural transformation of the economy, but also for the long-term development of the non-oil and gas sector.

In this regard, it seems important within the framework of further implementation of the national project to carry out regular monitoring of the commodity and geographic diversification of Russian exports and work out in detail export plans with the geographic diversification taken into account. Target indicators can be achieved, among other things, by means of successful accomplishment of a number of deals and not through structural

restructuring of the economy with promotion of companies' efficiency, the competitive edge of their products and relevant sustainable export expansion.

“Comprehensive Plan of Modernization and Expansion of the Trunk Infrastructure”

*“Comprehensive Plan of Modernization and Expansion of the Trunk Infrastructure”*¹ (hereinafter “Comprehensive Plan”) is first aimed within the framework of its transport part at promotion of internal and external (with territories of other countries by means of, among other things, development of international transportation corridors) links between Russian territories by way of modernization and upgrading of the transport infrastructure of all types. Second, the energy part of the Comprehensive Plan” is focused on guaranteed provision of affordable electric power for transportation of oil, petrochemicals, natural gas and gas-condensate.

In 2018–2019, simultaneously with implementation of individual activities the work was actively carried out on ranging and selection of projects for implementation within the framework of the “Comprehensive Plan”. For example, the parameters of some key projects were still specified till the end of 2019.² At the same time, according to the statements³ of the Minister of Transport of the Russian Federation, as early as mid-2019 (as of the beginning of June) 88 percent of the facilities of the “Comprehensive Plan” were contracted or entered the bidding phase. Overall, according to various statements⁴ in 2019 substantial risks in terms of attraction of extra-budgetary funding for implementation of the national project in the next 5–6 years are nonexistent because large volumes of funding are not planned to be attracted, except for cases of “road concessions with a state capital and building (of the infrastructure) of high-speed railway service.”

Within the framework of elaboration of the “Comprehensive Plan”, there was substantial growth (as of mid-2019) in the share of extra-budgetary funding for federal projects: “The Northern Sea Route” (+8.0 percentage point), “The Railway Transport and Transit” (+1.3 percentage point) and “Communication Routes Between the Economic Growth Centers” (+6.0 percentage point), while a comparable decline of the share of the extra-budgetary funding took place in the “Transport and Logistics Centers” federal project.

At the same time, it is not quite clear what actual share of extra-budgetary funds is planned to be used within the framework of implementation of the current version of the “Comprehensive Plan” because there is actually a transfer of elaboration of these issues within the framework of implementation of a certain portion of projects to the sphere of responsibility of companies which directly or indirectly carry out functions in respect of development of the transport infrastructure (OAO “RZhD”, GK “Avtodor”, GK “Rosatom”).

¹ Approved by Resolution No.2101-r of September 30, 2018 of the Government of the Russian Federation URL: <http://static.government.ru/media/files/MUNhgWFddP3UfF9RJASDW9VxP8zwcB4Y.pdf>; The information on the “Comprehensive Plan of Modernization and Expansion of the Trunk Infrastructure.. URL: <http://government.ru/rugovclassifier/867/events/>.

² There is uncertainty as regards the development of the high-speed railway infrastructure URL: https://www.vedomosti.ru/economics/articles/2019/06/25/805042-pravitelstvo-vsm?utm_source=vk.com&utm_medium=social&utm_campaign=kuda-imenno-stroit-vsm-iz-moskvy--do-k. In accordance with the Resolution No. DM-P9-9403 of October 30, 2019 of Dmitri Medvedev, Chairman of the Government of the Russian Federation to inquiry No. MA-P9-39476 of October 28, 2019 of Maxim Akimov, Deputy Chairman of the Government of the Russian Federation the deadlines and stages of implementation of the project of building of the Moscow-Kazan Highway were changed; relevant amendments are to be introduced into the project charter in 2020.

³ For more details, see: URL: <https://futuresussia.gov.ru/nacionalnye-proekty/509831>.

⁴ For more details, see: URL: <https://tass.ru/nacionalnye-proekty/6504733>.

The most capital intensive federal projects accounted for the highest growth in the share of extra-budgetary expenditures; such projects suggest building of a large volume of the transport infrastructure¹, which factor increases risks of a failure to implement projects in terms of the timelimits set as it happened, for example, in implementing a number of large highway projects (the building of M11 “Moscow – St. Petersburg”², TsKAD (Central Ring Road)³ and other). In case of TsKAD, a major problem of implementation of the project was investors’ failure to meet their obligations; that situation prompted the renewal of the debates on the need of a search for new instruments or upgrading of the existing ones to attract extra-budgetary funding for infrastructure projects.

Overall, in 2019 despite a substantial volume of organizational work and preliminary measures, a certain portion of target indicators of the “Comprehensive Plan” was achieved. It can be stated that there was growth in air mobility of the population (from 0.7 flights per person a year in 2018 to 0.87 flights in 2019 with a target value of 0.75), growth in exports of transportation services amounted to USD 19.3 billion (USD 16.9 billion in 2018). At the same time, in 2019 a number of target indicators of the “Comprehensive Plan” did not suggest substantial or any growth whatsoever (for example, it concerns the indicators of the delivery time of transit container carriage in “North-South”, “West-East”, “Europe-Western China” and other route lines), while, for instance, in 2019 the Logistics Performance Index was not calculated by the World Bank at all. In addition, as regards a number of indicators which reflect the implementation of the “infrastructure” portion of activities, target values set for 2019 were not achieved. So, for example, an increase in production facilities of seaports amounted to 23.95 million tons instead of the planned 35.5 million tons, the “share of highways operating without overload in the overall length of highways related to the “Europe-Western China” international transport route” remained at the level of the previous year – 26.9 percent (against the target level of 31.5 percent in 2019).

At year-end 2019, the cash administration within the framework of the project amounted to over 88.0 percent. It can be explained by delays in implementation of a number of capital-intensive activities, in particular, the building of the “Moscow-Nizhny Novgorod-Kazan” highway and modernization of airport infrastructure facilities.

It is to be noted that late in 2019 the selection and elaboration of projects for inclusion into the transport part of the “Comprehensive Plan” continues.⁴ So, based on the results of the meeting of the project committee of the transport part of the “Comprehensive Plan” held on December 4, 2019, three projects with two more projects sent for further elaboration were included in the “waiting list.”⁵ Further implementation of the “Comprehensive Plan” should be carried out with an emphasis made on timely and accurate implementation of the planned activities in order to ensure timely commissioning of infrastructure facilities.

¹ “The Routes of Communication between the Economic Growth Centers”: the share in the overall volume of funding of the Comprehensive Plan” is equal to 27 percent, while in the “Railway Transport and Transit” project and the “Russia’s Seaports” project to 20 percent and 15 percent, respectively.

² For example, in 2018 (URL: <https://ria.ru/20181004/1530014281.html>) and 2019 (URL: https://www.rbc.ru/spb_sz/14/11/2018/5bec0d4a9a7947d73baa6ab7).

³ For example, see: URL: <https://www.rbc.ru/business/01/02/2019/5c5316dc9a79476221e6a8c4>.

⁴ The “Comprehensive Plan” can be supplemented by projects worth a trillion. URL: <https://www.vedomosti.ru/economics/articles/2019/11/21/816801-kompleksnii-plan>.

⁵ URL: <http://government.ru/news/38513/>.

6.8.3. Funding of national projects

Cash administration in 2019

The above-described progress in implementation of national projects, its specifics and difficulties were reflected in the rates of cash administration: during the year in the framework of almost all national projects they were rather low despite the fact that at year-end 2019 the average value was equal to 91.6 percent (*Table 24*). As seen from the report¹ of the Accounts Chamber, as of May 2019, the level of administration of expenditures on national projects amounted to the mere RUB 221 billion or 12.8 percent of the annual volume. As of the beginning of October 2019, the share of cash administration in respect of all national projects did not exceed 70 percent, amounting on average to 50 percent – 60 percent², thus, suggesting delays in implementation of national projects in 2019. As of the beginning of October, the levels of administration of expenditures on implementation of national projects “Ecology”, “Digital Economy of the Russian Federation”, “Labor Productivity and Employment Support” and the “Comprehensive Plan of Modernization of the Infrastructure” were much below the average level of 59 percent for all national projects. As regards these national projects, there were risks related to the implementation of a portion of activities on a pro forma basis for the purpose of either spending funds or not implementing a portion of planned activities at all.

At year-end 2019, in respect of three national projects the level of administration of budget expenditures was equal to less than 80 percent: substantial lagging was observed as regards “Education”, “Digital Economy” and “Ecology” national projects as early as September 2019.

Table 24

**Cash administration of budget expenditures
on national projects in 2019**

National project (program)	Administration of budget expenditures, %		
	As of October 1, 2019	As of January 1, 2020 (as compared with the national project charter)	As of January 1, 2020 (as compared with the summary budget breakdown)
“Science”	66.2	99.1	99.1
“Culture”	64.7	99.0	99.0
“Healthcare”	67.5	98.0	98.0
Safety and Quality of Highways”	55.8	97.1	97.1
“Demography”	65.0	95.6	95.6
Comprehensive Plan of Modernization of Infrastructure”	39.4	95.2	88.0
“Housing and Urban Environment”	56.3	93.8	93.8
“Small and Mid-Sized Business and Support of Individual Entrepreneurial Initiative”	55.7	93.3	93.1
“Labor Productivity and Employment Support”	38.8	89.6	89.6
“International Cooperation and Export”	41.8	88.8	88.8
“Education”	58.5	79.5	79.6
“Digital Economy of the Russian Federation”	12.3	71.9	74.5
“Ecology”	22.1	66.8	66.3
Average	59.0	91.6	89.4

¹URL: http://audit.gov.ru/activities/audit-of-the-federal-budget/36983/?clear_cache=Y.

² As of October 17, 2019, cash administration across national projects of the Russian Federation amounted to 59 percent, which factor was noted by Alexei Kudrin at the RF State Duma at the first reading of the three-year budget. URL: <https://tass.ru/nacionalnye-proekty/7033979>.

Source: the analytical report on the progress in execution of the federal budget and budgets of state extra-budgetary funds of the Russian Federation in January-September 2019.¹ The Accounts Chamber of the Russian Federation, 2019; the Treasury of the Russian Federation.

As regards the “Digital Economy” national project, which implementation in 2019 was carried out at low rates of cash administration, the difficulties were related to key federal projects included in it, particularly, the “Information Security” federal project and “Digital Technologies” federal project whose implementation did not actually begin as of October 2019.

It is noteworthy that in 2020-2022 the expected growth in expenditures on national projects in respect of which the cash administration of federal budget expenditures in 2019 was at the level below the average may create risks of a failure to implement all planned activities under the national project in question, as well as risks of inefficient distribution of resources.

The planned expenditures on implementation of national projects in 2020–2022

From the distribution of national projects by the year, it is seen that the expenditures on their implementation in 2019 should have amounted to about 10 percent of the federal budget, however, as early as 2022 this share is expected to grow by 3 percentage point to 13 percent. So, despite the importance of national projects for the country’s breakthrough scientific, technological and socioeconomic development and the increase in the share of project financing in the federal budget, the main portion of its expenditures is spent on other instruments. The accounting of extra-budget funding of national projects does not radically change the situation as it is planned that the share of federal budget expenditures in the overall volume is to be equal to about 50 percent.

The year-on-year growth in total expenditures on national projects will amount to 10.2 percent; 10.7 percent and 21.4 percent in 2020, 2021 and 2022, respectively. Also, it is noteworthy that growth in the federal budget share aimed at funding national projects in 2022 (12.4 percent) as compared with 2019 (9.7 percent) will amount to 2.7 percentage point.²

Within the framework of the national projects in 2020–2022, the main volume of federal budget expenditures will be directed on the “Demography” national project, the “Healthcare” national project, the “Comprehensive Plan of Modernization of the Infrastructure” and the “Digital Economy of the Russian Federation” national project, which corresponds to the importance of the indicators of these national projects. At the same time, the expenditures on the “Small and Mid-Sized Business and Support of the Individual Entrepreneurial Initiative” national project, as well as the “Labor Productivity and Employment Support” remain at a rather low level despite the importance of goals and target indicators³ set within the framework these national projects. It is noteworthy that the above specified national projects should have a significant effect on achievement of such key national goals as:

¹ URL: <http://audit.gov.ru/promo/analytical-report-federal-budget-2019-3/index.html>.

² In 2019, within the framework of expenditures on national projects it was planned to allocate RUB 1746 billion or 9.7 percent of the overall volume of federal budget expenditures.

³ It is noteworthy that the extra-budgetary funding is almost unavailable on these national projects, either. In accordance with the approved charters of the “Small and Mid-Sized Business and Support of the Individual Entrepreneurial Initiative” national project and the “Labor Productivity and Employment Support” national project, in 2020–2022 the level of extra-budgetary funding will amount to RUB 24.4 billion and RUB 3.2 billion, respectively (that is, 13 percent and 15 percent of the level of federal budget expenditures on the specified national projects in 2020–2022).

- Goal No.8 “Entering by the Russian Federation the world’ top five largest economies and facilitation of economic growth rates which are above the global ones with preservation of macroeconomic stability, including the rate of inflation at the level of maximum 4 percent”;
- Goal No. 3 “Facilitation of sustainable growth in individuals’ real incomes, as well as growth in the level of pension benefits above the level of the rate of inflation”;
- Goal No.4 “Ensuring of a two-fold reduction of the rate of poverty in the Russian Federation.”

Insufficient volumes of funding of national projects may provoke risks of a failure to achieve target indicators of national projects and have an adverse effect on other national projects and achievement of national goals of the development of the Russian Federation.

In 2020–2022, expenditures are expected to be increased by 21 percent, 18 percent and 4 percent on the “Science” national project, the “Demography” national project and “Safe and Quality Highways”, respectively. Federal budget expenditures are planned to be reduced by 2 percent and 5 percent on the “Ecology” national project and the “International Cooperation and Exports” national project, respectively, while as regards the “Small and Mid-Sized Business and Support of Individual Entrepreneurial Initiative” national project the volume of expenditures remains virtually unchanged. A substantial reduction of expenditures on the “International Cooperation and Exports” national project raises some questions by virtue of the importance of this national project for this country’s industrial development and exports potential growth.

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In 2019, with large-scale work on national projects begun it became feasible to form a sustainable basis for further activities. The implementation of some of these activities was affected by general macroeconomic trends in the Russian economy which in some cases delayed or even slowed down the achievement of national goals and trajectories of movement of national projects’ target indicators. The first full-scale year of work on the implementation of national projects produced mixed results, among which it is feasible to highlight some key aspects.

1. Despite a considerable volume of regulatory and organizational work, the scheme of achievement of national goals has not been built in full. The aggregate of national projects does not ensure complete coverage of all national goals, which achievement is believed to be ensured to a great extent by the existing state programs of the Russian Federation and its subjects, as well as federal (regional) projects included in those programs and other activities.
2. In 2019, the existing system of management of implementation of national projects and achievement of national goals assumed a rather complicated pattern. With its authority to allocate funds on implementation of national projects, the Budget Funds Chief Controller may put pressure on individual regions, thus, complicating the process of signing three-year agreements between the Federation and regions.
3. Throughout the year 2019, the adjustment and updating of the parameters of charters of national projects brought about changes in the required funding. Coupled with the low level of cash administration across all national projects, it had a negative effect on the dynamics of target indicators. With this factor and the planned increase in the volume of expenditures on implementation of national projects in 2021-2022 taken into account, the risks of

implementation of the activities on a pro-forma basis in the years to come for disbursement purposes are getting higher.

4. As of the end of 2019, the work on development, adjustment and approval of the methods of calculation and evaluation of target indicators of national and federal projects was not completed.
5. It is worth mentioning positive trends related to growth in federal budget expenditures in 2020 and the 2021-2022 planned period on national projects and, consequently, growth in funding through project instruments as compared with current expenditures. However, in this regard, two questions arise. First, growth in expenditures on some national projects with a simultaneous decrease in others may reduce aggregate multiplicative effects for the entire economy. Second, it concerns the balanced distribution of expenditures between national projects because the level of expenditures across individual national projects turned out to be rather low despite their importance for facilitation of the breakthrough in the socioeconomic, scientific and technological development and achievement of national goals set out in Executive Order No.204 of the President of the Russian Federation.