

EMPLOYING PROGRAM-TARGET METHODS IN THE FOREIGN SECTOR OF THE RUSSIAN ECONOMY

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According to economic theories, the application of program-target methods (PTMs)¹ of governance and regulation at the industrial level, including the foreign sector of the economy, allows target objectives to be achieved at faster pace, with higher probability and cost-effectively.

Despite the fact that the foreign sector is technically a secondary sector of the Russian economy, it has a systemic effect on the development of the national economy as a whole through the prevailing energy-mineral model which is focused on exports. It is therefore essential for the Russian economy that the effectiveness of the foreign economic policy as a whole is enhanced and specific industry objectives are fulfilled.

Several attempts have been made in Russia since the second half of the 2000s to develop and implement dedicated programs in the foreign sector using program-target methods². Initially, the introduction of respective policy documents was initiated by Belousov A. Mr. Belousov wanted to tie these documents with the concept of strategic planning in Russia³. A structured list of the principal programs which determine the development of the Russian foreign sector in 2008–2015 is presented in *Table 1*.

These programs have common issues of implementation despite that they cover various stages of the Russian economic development, including the pre-crisis stage, post-crisis stage and the current stage. Baseline approaches to the development and implementation of the programs (Klepach A., Spartak A., Aleksashenko A. at all) saw changes from time to time, although the outcome – low effectiveness of deliverables – remained the same.

Furthermore, various options of enhancing the effectiveness of the aforementioned programs have recently been proposed. For instance, Herman Gref views the issues of public administration from a strictly technocratic standpoint. The elements of a governance system, according to Mr. Gref, are com-

prised of hard skills (engineering/technical systems, processes and skills which relate to the fulfillment of tasks) and soft skills (human skills – including leadership, management style and corporate culture – which make the process more efficient). According to expert evaluations, 85% of success is due to soft skills, whereas 15% to hard skills.

The advanced countries are currently competing with each other on a global scale, and the winners are those who invest in soft skills, i.e. the development of systemically important institutions, which also includes the development of human capital and enhancement of investment environment. Also, there are hard skills which reflect the quality of institutions, and there is a social paradigm (ideology) which is the basis of all. This is the key trend which Russia should take, according to Mr. Gref. All speculations about drastic transformation “should be reduced to a single reform; if we don’t do this, then other reforms would fail or produce inadequate results”⁴.

Based on the criteria of the above proposed approach, the key shortcomings of using PTMs in the Russian foreign sector can be tentatively described as follows:

Hard skills – quality of institutions:

- Insufficient budget and earmarked financing;
- Low quality of industry documents (without actually using models);
- Low level of interdepartmental coordination;
- Documents fail to meet the principles specified in the Federal Law “On the Strategic Planning in the Russian Federation” dated 28 June 2014, No. 172-FZ;

Soft skills – human capital:

- Lack of external or non-governmental oversight and procedures for measuring project deliverables (effectiveness);
- There is an implementation-related gap between the “goals-objectives” and “instruments-measures” chains;

1 PTMs aim to link the goals of socio-economic development plans with a set of economic, social, science and technology, and industrial measures using instruments and resources which are designed for implementing the plans.

2 More details on the evolution of foreign economic policy documents in Russia are available in A. Pakhomov’s article entitled “The development strategy for the foreign economy complex in the Russian Federation” / *Problemy Teorii i Praktiki Upravleniya*. 2010. No. 12. P. 18–29.

3 See, for example, Belousov A. Russia’s economic strategy: The transition to a long-term development governance / *Problemy Teorii i Praktiki Upravleniya*. 2007. No. 9. P. 8–14.

4 Gref H., “This has happened for the first time in the history of this country”, *Vedomosti*, 27.05 2015 (in Russian).

Table 1

THE PRINCIPAL POLICY DOCUMENTS ON THE DEVELOPMENT OF RUSSIA'S FOREIGN SECTOR

Title	Statutory instruments	Target (with regard to foreign economic policy)	Ministries and government bodies
2008–2010			
The Concept of Long-Term Socio-Economic Development of the Russian Federation until 2020	Russian Government Executive Order dated 17 November 2008, No. 1662-p	Searching for ways and means to provide, in the long term, (2008–2020) a steady improvement of the welfare of Russia's nationals, national security, dynamic economic development, strengthening Russia's positions in the world community	Ministry of Economic Development, federal executive power bodies
The Foreign Economic Strategy of the Russian Federation until 2020	Approved by the Russian Government on 26 October 2008	Creating conditions for Russia to occupy leading positions in the global economy on the basis of efficient participation in the world division of labor and global competitive power of the national economy	Ministry of Economic Development, federal executive power bodies
The Key Focus Areas of the Russian Federation Government until 2012 (roadmaps)	Russian Government Executive Order dated 17 November 2009, No. 1663-p	Move up to the level of socio-economic development which fits into Russia's status as a leading world power of the 21st century, occupy leading positions in global economic competition and provide a reliable national security and exercise of civil rights, including as part of projects: - providing global competitive power of manufacturing industries; - integration of the Eurasian economic space	Ministry of Economic Development, federal executive power bodies
The country action plans	Approved by the Russian Government Presidium on 17 March 2010, Executive Orders issued by the Ministry of Economic Development	Developing and implementing of most important goals and priorities of the Russian foreign economic policy with partner countries	Ministry of Economic Development, Ministry of Foreign Affairs
2012–2013			
President Putin's Executive Orders dated 7 May 2012	Presidential Executive Order dated 7 May 2012, No. 596	Improving the Doing Business ranking for Russia from 120th in 2011 to 50th in 2015 and to 20th in 2018	Ministry of Economic Development, federal executive power bodies
The concept of creating a "new image" of Trade missions of the Russian Federation until 2016	Decision of the Collegium of the Ministry of Economic Development dated 31 October 2012	Recreating and developing the ability of Russian trade missions to efficiently promote the Russian economic interests in the global economy. This can be done by applying a customer-focused approach, strengthening the HR potential, optimizing the geography of trade missions, creating an employee motivation system	Ministry of Economic Development
The Agency for Strategic Initiatives Road Map "Support to gain access to foreign markets and support to exports"	Russian Government Executive Order dated 29.06.2012, No. 1128-r	Providing a successful promotion of the Russian non-mineral exports in foreign markets, thereby diversifying exports, increasing its contribution to the modernization of the national economy, providing a steady-state economic growth.	Agency for Strategic Initiatives (an autonomous nonprofit organization), Ministry of Economic Development, Ministry of Foreign Affairs, Ministry of Finance, Federal Customs Service, Ministry of Industry and Trade, federal executive power bodies
Strategy 2020: A new model of growth – new social policy	Not approved	Strengthening Russia's position in the global economy, socio-economic integration in the post-Soviet space, developing relations with the European Union, concluding preferential treaties with Asian Oceanian countries	Ministry of Economic Development, Ministry of Foreign Affairs, federal executive power bodies
2014–2015			
The State Program for the Development of the Foreign Sector of the Economy (2013–2018)	Russian Government Resolution dated 15.04.2014, No. 330	Strengthening Russia's position in the global economy, enhancing the quality parameters of foreign economic policy, increasing the foreign sector contribution in achieving the objectives of modernizing the national economy	Ministry of Economic Development, Ministry of Foreign Affairs, Federal Customs Service, Russian Border Services Agency, Ministry of Industry and Trade, Ministry of Finance

Table 1, cont'd

Title	Statutory instruments	Target (with regard to foreign economic policy)	Ministries and government bodies
The key focus areas of the customs and tariff policy in 2016 and for the planning period of 2017–2018	Russian Government Decision dated 11 June 2015	Providing sustainable functioning of the Russian economy and the member countries of the Eurasian Economic Union (EEU), focusing on domestic points of growth	Ministry of Economic Development, Ministry of Finance, Federal Customs Service, federal executive power bodies
The Russian Government plan of actions aimed at bringing certain Russian industries in compliance with the terms of the Russia membership in the World Trade Organization (WTO)	Minutes No. 6 of the Sub-committee for Economic Integration dated 18 October 2012, Executive Order No. 510 of the Ministry of Economic Development dated 25 August 2014,	Making the Russian real sector of the economy be adapted to the new rules applied to the WTO member states, developing measures of innovative development of industrial sectors, promoting goods, maintaining the competitive power of domestic manufacturers amid lower customs and tax protection.	Ministry of Economic Development, Ministry of Foreign Affairs, Ministry of Agriculture, Ministry of Finance, Ministry of Industry and Trade, federal executive power bodies
The Key Focus Areas of the Russian Federation Government until 2018	Approved by the Russian Government on 14 May 2015	Expanding exports of goods and services, increasing the share of non-mineral exports to 45% by easing access to financial and non-financial instruments of exports support, developing international integration	Ministry of Economic Development, federal executive power bodies

Sources: the Russian Government official website: <http://www.government.gov.ru>, the Ministry of Economic Development official website: <http://www.economy.gov.ru>.

- Arbitrary or “in-house” target figures (indicators);
- Lack of personal responsibility of project managers;
- Formalistic performance of measures; the emphasis is placed on assignments issued by upper management, rather than on deliverables.

As a result, a stable bureaucratic system has recently been created in Russia, which is not governed by the performance-based management, rather it relies on the process-based management, when the execution of orders prevails over the achievement of goals. Furthermore, the very quality of orders/assignments has been made less important for performance measurement than their execution on so-called “milestone” dates.

The current situation reflects vividly the priority of “manual steering” at government agencies over focusing on a systemic approach which provides for the achievement of certain results, which is a framework condition for PTMs to be applied successfully.

In this context, it seems interesting to analyze foreign practices of using similar programs and project approaches. PTMs are being widely employed in the foreign sector of many countries (with a differentiated level of economic development). It is characteristic that the use of PTMs in various programs has a variety of purposes and is focused on various deliverables.

For instance, the United States in 2010–2014 implemented its National Export Initiative which was designed for doubling U.S. exports and creating 2 million new jobs. As a result, however, exports has increased as little as 24%, while the plan on new jobs

has been actually fulfilled. A new phase of the National Export Initiative (NEXT) has recently been launched. It is interesting to note that there is no single project financing in place and instead there are budgets of 14 departments which apply to the Congress for appropriations for the purposes of the Initiative.

The European Union is carrying out successful *Cross-border Cooperation Programs between Russia and the European Union*. The programs aim to develop trade and commercial relations between the EU’s member countries sharing a land border or sea crossing with Russia. A total of five programs are in progress, with a total budget of more than 440 million euros. It is characteristic that this area of cooperation is not covered by sanctions.

China has the National Medium- and Long-term Program for Science and Technology Development until 2020. The program aims to create a national innovation framework, reduce (down to 30%) the dependence on foreign technologies by, among other things, purchasing high-tech assets outside the country. A special state-owned entity (The China Investment Corporation (CIC)) was established in 2007, which has become an active player in the cross-border market of mergers and acquisitions (M&A). Originally, its budget totaled \$200bn.

Table 2 presents a comparative analysis of the specific features of using PTMs in the United States, the European Union, China and Russia. Principal instruments of non-financial and financial support to the foreign sector (FS) – including Trade Missions (Permanent Missions in the case of the EU) and banks – are used for implementing programs in all of these countries.

Table 2

**APPLICATION OF PTMS IN THE FOREIGN SECTOR
OF VARIOUS COUNTRIES**

	U.S.A.	EU	China	Russia
Program indicators are set in statutory documents				
The use of instruments of financial and banking support				
Participation of Trade Missions in the implementation of programs in the foreign sector				
The existence of a single agency which coordinates the implementation of programs in the foreign sector				
Publication of publicly-available reports				
Program effectiveness analysis				

Source: prepared by the author on the basis of the materials available in the official websites of the U.S. Department of Commerce: <http://www.trade.gov>, the China Ministry of Commerce: <http://www.mofcom.gov.cn>, the European Commission: <http://www.ec.europa.eu>, the Russian Ministry of Economic Development <http://www.economy.gov.ru>

At the same time, for example, it is only Russia that doesn't publishes publicly-available reports on programs in progress, nor does it make analysis of the effectiveness of such programs. Indicators for programs are established by laws and regulations only in Russia and China. Both countries have a single body designed for coordination of programs, namely the Ministry of Economic Development in Russia and the Ministry of Commerce in China.

Hence one can acknowledge that the level of efficient application of PTMs in Russia is determined

mainly by the quality of human capital and the management system at the departmental level. The overall effect of using project-based approaches on the Russian foreign sector remains neutral, i.e. there is no particular adverse or positive effect in general. At the same time, despite positive projections of 2013–2014¹, the state of the Russian foreign sector has been deteriorating. Thus drastic measures are required to remediate the current situation.

The Russian government in the middle of July 2015 decided to create a workgroup to prepare a draft Socio-economic Development Strategy of the Russian Federation until 2030. It seems necessary to rely upon the provisions of the Federal Law "On Strategic Planning"² so that this document can be drafted successfully, draw appropriately on good foreign practices of using PTMs in the foreign sector, yet the main issue of enhancing the quality of institutions remains the same. ●

1 See Makarov A., Pakhomov A. The deliverables of the world trading in goods and services in 2013. / *Economicheskoye Razvitiye Rossii*. 2014. Vol. 21, No. 5, P. 22–29.

2 "Industry documents of the Russian Federation strategic planning are developed for a period which is not longer than the period for which the long-term forecast for socio-economic development of the Russian Federation is developed, by the decision of the Russian President or the Russian government within their jurisdiction by federal executive power bodies with a view to carrying out the socio-economic development strategy of the Russian Federation, the Russian Federation national security strategy, the spatial development strategy of Russian Federation with consideration for the forecast for science and technology development in the Russian Federation, the Russian Federation strategic forecast, the long-term forecast for socio-economic development of the Russian Federation". Article 19.1 of the Federal Law "On the Strategic Planning in the Russian Federation" of 28 June 2014, No. 172-FZ.