

# FROM THE CHIEF EDITOR



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## New agenda and state management efficiency

Many experts compare the speech that the President of the Russian Federation V.V. Putin made at the plenary session of the Valdai International Club to his famous speech in Munich in 2007<sup>1</sup>, in which he sharply criticized the doctrine of the unipolar world and called for the abandonment of double standards in international politics.

In 2012–2013 Russia successfully continues its foreign policy, stated by V.V. Putin at the Munich conference.

Presidential candidate V.V. Putin's election articles, embodied in the Decrees of the RF President dated May 7, 2012 set before the Russian society and the RF Government the major tasks of shifting to the new industrialization of Russia, they define specific objectives for enhancing Russia's security and competitiveness by 2020.

Speaking at the Valdai forum, a year and a half after the publication of his Decrees of May 2012, the President urges to discuss in-depth and internal problems, as Russia will not achieve the necessary strategic goals if these issues remain unsettled.

An expert described the President's speech at this forum as follows:

*“Vladimir Putin defined a new agenda for the society. Not for one week, not for one political season. For a long time. He started talking about the criteria of national identity, on the restoration of historical continuity of the country. The simplest questions occurred to be, strangely enough, the most important and unexpected ones: “Who are we?”, “What do we want to be?”<sup>2</sup>.*

<sup>1</sup> V.V. Putin's speech in Munich, February 10, 2007. Available at: <http://okoplanet.su/politik/41120>

<sup>2</sup> Shchipkov A. Unlocking the tongue. On the possible consequences of President V. Putin's Valdai speech. Literaturnaya gazeta. 2013. No. 40. October 9. P. 9.

The President expressed the understanding of the fact that in the 21st century strategic security and competitiveness cannot be provided *“without spiritual, cultural and national self-determination. Without this we will not be able to withstand internal and external challenges, nor we will succeed in global competitions”* and to achieve these goals it is necessary *“to have military, technological and economic strength, but nevertheless the main thing that will determine success is the quality of citizens, the quality of society: their intellectual, spiritual and moral strength”*<sup>3</sup>.

The President enumerated the reasons that have led to the current state of the Russian society: *“The consequences of the national catastrophes of the 20th century, when we experienced the collapse of our state two different times. The result was a devastating blow to our nation’s cultural and spiritual codes; we were faced with the disruption of traditions and the consonance of history, with the demoralization of society, with a deficit of trust and responsibility. These are the root causes of many pressing problems we face”*<sup>4</sup>.

*“After 1991 there was the illusion that a new national ideology, a development ideology, would simply appear by itself. The state, authorities, intellectual and political classes virtually rejected engaging in this work... In addition, **the lack of a national idea stemming from a national identity profited the quasi-colonial element of the elite – those determined to steal and remove capital, and who did not link their future to that of the country, the place where they earned their money**”*<sup>5</sup>.

The President of Russia returns to the discussion of moral consensus in the Russian society. He has already addressed this issue in his election speeches. For instance, speaking at the congress of the Russian Union of Industrialists and Entrepreneurs (RUIE), V.V. Putin pointed out: *“...concerning what was going on in the 1990s. We spoke a lot on this issue, when doing business was often reduced to slicing the state pie”*;

*“...we should, of course, turn over this very page as well... we have to end this period. Different options are proposed; it is necessary to discuss them with the society, with expert community, but it should be done in such a way that the society would really accept these proposals for solving the issues of the 1990s: unfair privatization, to speak plainly, and various auctions”*;

*“...to ensure public legitimacy of the very institution of private property, public trust in business; otherwise we will not be able to develop a modern market economy and, what is more, we will not be able to create a healthy civil society...**the most important decisions must be taken in 2012 already**”*<sup>6</sup>.

Apparently, the President believes that the time has come when it is necessary to reduce the influence of the part of the ruling elite that reached its present position by socially unjust ways, and does not link its future with the country.

V.V. Putin has to show the dissatisfaction with the pace of implementation of the reform strategy set out in the Decrees of May 7, 2012.

<sup>3</sup> Putin V.V. Speech at the session of the Valdai International Discussion Club on September 19, 2013. Available at: <http://www.kremlin.ru/news/19243>

<sup>4</sup> Ibidem.

<sup>5</sup> Ibidem.

<sup>6</sup> V.V. Putin’s speech at the RUIE congress of on February 9, 2012. Official website of V.V. Putin. Available at: <http://premier.gov.ru/events/news/18052/>

This was clearly demonstrated at the session held by the RF President in Elista on April 16, 2013. The Head of State sharply criticized government officials for the lack of professionalism in the implementation of the Decrees of May 2012 that contain his election pledges: *“How do we work? The quality of the work is pathetic, everything is done superficially. If we continue this way, we won’t do a thing! But if we work persistently and competently, we will make it. Let’s raise the quality of our work. It ought to be done! If we don’t do it, it will have to be admitted that it is either me working inefficiently or it is you failing to do your job properly. Take notice that, judging by the current situation, I, personally, lean toward the latter. I think it’s clear. No one should have any illusions”*<sup>7</sup>.

Such unambiguous reaction of the President on the performance of Russia’s executive power in the post-election period clearly shows the urgency of the situation and proves that the Head of State is highly worried for the future of those commitments he made in front of his voters. Those very obligations, the execution of which will determine the improvement of the quality of life, quality of the state, quality of civil society development and, ultimately, the competitiveness of the country.

V.V. Putin’s speech at the Valdai Club reveals what the President considers to be the main reason of a low efficiency of modern public management in Russia: it is the lack of moral consensus in the society, and it should be achieved on the basis of historical creative synthesis of the best national experience.

<sup>7</sup> NEWSru.com. News of Russia. Wednesday, April 17, 2013.

The Accounts Chamber of the Russian Federation in its official report on the 2014–2016 draft federal budget<sup>8</sup> provides some evidence of the impact of the “quasi-colonial part of the elite” on the formation of Russia’s budget for 2014–2016. Comparing this report with the report on the 2013–2015 draft federal budget, the researchers at the Institute of Socio-Economic Development of Territories of RAS came to the following conclusions.

**The Government ignored the repeated recommendations of the RF Accounts Chamber concerning the necessity of elaborating specific measures aimed at:**

- development of the earning power of Russia’s budgetary system;
- reduction of the shadow sector of the economy;
- elimination of evasions from the payment of taxes and from other obligatory payments, including the use of transfer pricing and transactions through offshore zones;
- improvement of the control activities of tax and customs authorities;
- increase in the efficiency of tax control in terms of VAT refund from the federal budget;
- optimization of the existing system of privileges and preferences;
- reduction of tax and non-tax arrears;
- increase in the revenues from management and disposal of federal property;
- enhancement of the efficiency of state control in the sphere of regulation of production and turnover of alcohol and alcohol products;

<sup>8</sup> Official report of the Accounts Chamber of the Russian Federation on the draft federal law “On the federal budget for 2014 and the planned period of 2015 and 2016”. Available at: <http://www.ach.gov.ru>

– adoption of measures to maintain a moderate debt burden both on the federal and regional budgets;

– timely influence on the debt policy of the corporate sector, and on the enhancement of the quality of debt sustainability forecasting.

It should be noted that many experts, analyzing the socio-economic and political situation in the Russian Federation in their publications, pointed out the inefficiency of decisions made by the Government, which under the influence of lobbyists from oligarchic structures makes decisions counter to the interests of the state budget<sup>9</sup>.

One of the main messages contained in the President's speech consists in the necessity of creating the situation of political, economic and moral consensus in the country and in the Russian society. National values and public ethics, according to V.V. Putin, are a crucial stem of the power vertical, both political and economic, in the federal centre and the regions and municipalities. Only this approach can lead to the consolidation of the Russian society. But this requires radical changes in the socially unjust, immoral situation that has taken shape in Russia's society over the past decades.

<sup>9</sup> With regard to the measures proposed by authoritative experts, a calculation has been made, which shows a potential opportunity to increase the revenues of Russia's consolidated budget by 8.0–12.8 trillion rubles per year, or by 20–33%.

Calculation of the possible increase in the revenues of the Russian Federation budget system, trillion rubles per year

Source	Actual value	Proposed option	RF consolidated budget	Budgets of extra-budgetary funds	Federal budget	Budgets of RF subjects
Abolition of VAT refunds to exporters of raw materials, introduction of differentiated rates of VAT refunds to exporters of semi-finished products	18%	0–6% <sup>*1)</sup>	1.5		1.5	
Abolition of exemptions on VAT payment for the financial sector	0%	18% <sup>*2)</sup>	3.0–5.0		3.0–5.0	
Abolition of privileges on property tax for subjects of natural monopolies	0%	2.2% <sup>*2)</sup>	0.2			0.2
Increase in the dividend tax rate	5–9%	13–15% <sup>*1)</sup>	0.2–0.5			0.2–0.5
Introduction of the progressive scale of income tax	13% <sup>**</sup>	13–50% <sup>*3)</sup>	2.0–4.5			2.0–4.5
Introduction of tax on the export of currency	–	20% <sup>*4)</sup>	0.5		0.5	
Abolition of the limit value of annual income, above which insurance premiums are not taken	568 thousand rubles	0 <sup>*5)</sup>	0.6	0.6		
Total			8.0–12.8	0.6	5.0–7.0	2.4–5.2
<p><sup>*1)</sup> Doctor of Economics N.A. Krichevskiy (full abolition), ISED T RAS (abolition for exporters of raw materials, introduction of differentiated rates).  <sup>*2)</sup> ISED T RAS.  <sup>*3)</sup> RAS Academician R.I. Nigmatulin, Doctor of Economics V.L. Inozemtsev, Doctor of Economics N.A. Krichevskiy, A.V. Bagryakov, political parties "Just Russia", KPRF.  <sup>*4)</sup> Party "Just Russia", Chairman of the Tax Consultants Chamber D. Chernik.  <sup>*5)</sup> Doctor of Economics V.L. Inozemtsev, Economic Expert Group.</p>						

63.6% of the electorate voted for V.V. Putin at the Presidential elections on March 6, 2012. Undoubtedly, the overwhelming majority of Russia's citizens will support the implementation of the ideas set forth by the RF President at the Valdai International Club, the ideas that are associated with the rule of national values and social ethics in the

life of all the population groups. Examples of real actions in addressing these issues **should be provided by the vertical of power in its purification from “the quasi-colonial element of the elite – those determined to steal and remove capital, and who did not link their future to that of the country, the place where they earned their money”<sup>10</sup>.**

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<sup>10</sup> Putin V.V. Speech at the session of the Valdai International Discussion Club on September 19, 2013. Available at: <http://www.kremlin.ru/news/19243>