

Sberbank's Gref: Inefficiency Crippling Russia's Development Efforts

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German Gref, head of Russia's biggest lender Sberbank, on Friday castigated systemic inefficiencies in the Russian government that, he said, waste trillions of rubles and threaten to drag Russian society back into Soviet times.

"We have inconceivable social costs in the area of public administration," Gref said in a speech to investors and top officials gathered at the VTB Russia Calling investment forum.

These costs increase government spending and render well-intended initiatives ineffectual, threatening Russia with a repeat of past mistakes, he said.

"[Soviet leaders] didn't respect the laws of economic development. Even more, they didn't know them, and in the end this caught up with them. It is very important for us to learn from our own history," Gref said.

Long known to be a drag on Russia's economic growth, government mismanagement has drawn a new wave of criticism since the government submitted a three-year budget to the State Duma this week that cut funds for education and health care.

The Russian budget is in a bind this year due to a fall in corporate tax revenues and extra costs arising from the annexation of Crimea and President Vladimir Putin's promise to raise salaries for government workers across the country.

As the pool of state funds dries up, economists have called on the government to use available funds as effectively as possible.

Andrei Klepach, a former deputy economic development minister, earlier this week called for a "revolution in management" in the government, saying that the government should commit to a few top-priority programs and stick with them.

According to Gref, state inefficiency hampers such well-intended initiatives as special economic zones and federal targeted programs, or FTPs — exhaustive development programs dedicated to such sectors as high technology, social infrastructure and housing.

"Five trillion rubles [\$125 billion] is now being spent on FTPs. How about we ask what these FTPs have achieved in the last five years?" Gref said.

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