

RUSSIAN GOVERNMENT RESHUFFLE:

The new balance of power and adjustment of the Cabinet's priorities

11 November 2020

On 9 November 2020, Vladimir Putin dismissed four members of Mikhail Mishustin's Cabinet: Alexander Novak, Minister of Energy, [Yevgeny Ditrikh](#), Minister of Transport, Vladimir Yakushev, Minister of Construction, Housing and Utilities, and [Dmitry Kobylkin](#), Minister for Natural Resources and the Environment. Igor Artemiev, who has headed the Federal Antimonopoly Service since 2004, also left office on November 11. Further reshuffling in the Government and in other executive bodies is expected.

This reshuffle has the following specific features and implications (*see details below*):

- Such “bundled” reshuffling is not a traditional approach in the personnel policies during Putin's presidency. In the future, we may expect both more frequent personnel rotation in the Government and other executive bodies (overall, heads of federal executive bodies are becoming less entrenched). The shuffles in the Ministries' team could also intensify.
- Prime Minister Mikhail Mishustin is relatively well entrenched in his office: on the one hand, he retained his team people in the Government (although they may be affected by further changes); yet, on the other such reshuffles show that the decisive role in the staff appointments is played by Putin and other figures not always connected with the Prime Minister. In the future, it may make some ministries more independent of the Prime Minister and the Government's executive office (*ministry – supervising deputy prime minister + possible “unofficial supervisors” connection tie-ups may emerge*). A format of “presidential government” is possible with the President and the Presidential Administration managing several areas or federal executive bodies in manual mode;
- A new Deputy Prime Minister is appointed: this might to some extent blur the Prime Minister's status and weight, particularly since the new Deputy Prime Minister will supervise fuel and energy policy, so significant for Russia;
- The “speed” of the reshuffle: despite the State Duma being involved in approving the candidates, such a high speed highlights back channel selection of candidates and a desire to avoid any political risks. In the future, increasingly frequent reshuffles will become highly unpredictable for external actors, businesses, etc;

- › The key principles that might entail personnel reshuffling in Mishustin’s Government are now becoming clear (*incumbent and future heads will take this into account in their work*): involvement in conflicts with the relevant deputy prime ministers; failures in implementing “national projects” and other key reforms and activity areas; the need to resolve crises in supervised areas;
- › Parliament’s role is transformed: “technical” approval of candidates might result in the State Duma becoming more vociferous in its public assessment of the work of the Government and agencies, in greater independence of the State Duma when considering government-submitted draft laws; in attempts to influence the priorities of specific agencies (*as candidates are discussed*), particularly depending on the results of the next parliamentary elections;
- › Testing other changes related to implementing the 2020 “Constitutional reform”: if these appointments go smoothly, this will affect implementation of other practical decisions (formation of the Federation Council, personnel policy in the judiciary, the role of the State Council, etc.).

KEY RESHUFFLES

Remarkably, all officials removed have already been or will be given new appointments:

- › **Vladimir Yakushev** has been appointed Presidential Envoy to the Urals Federal District.
- › **Dmitry Kobylkin** has been appointed acting deputy of United Russia’s secretary general.
- › **Yevgeny Ditrikh** is being considered for the vacant office of Belgorod Region Governor.
- › **Alexander Novak** remains a government member, though in a new capacity: a new deputy prime minister position has been created specifically for him.
- › **Igor Artemiev** to become the Aide to the Prime Minister Mikhail Mishustin (which is a significant reduction in his political status).

On 10 November, the State Duma approved the candidates to the Ministers’ Offices Mikhail Mishustin submitted for the vacancies:

- › **Irek Faizullin**, First Deputy Minister for Construction, Housing and Utilities (*for the Minister or Construction, Housing and Utilities*).
- › **Nikolay Shulginov**, Chairman of the Management Board – General Director of RusHydro (*for the Ministry of Energy*).
- › **Vitaly Saveliev**, General Director of Aeroflot (*for the Ministry of Transport*).
- › **Alexey Chekunkov**, General Director of the Far East and Trans-Baikal Region Development Fund (*for the Ministry for Development of Russia’s Far East and Arctic*).
- › **Alexander Kozlov**, Minister for Development of Russia’s Far East and Arctic (*for the Ministry for Natural Resources and the Environment*).
- › On Nov. 11, Prime Minister Mikhail Mishustin appointed **Maxim Shaskolskiy**, former Deputy Governor of Saint Petersburg in charge of tariff and energy policy, as the Head of the Federal Antimonopoly Service.

The nature of most of the reshuffle rules out the possibility of the Government undergoing structural changes in the Government. **This reshuffle is most likely a technical decision intended to optimize governance within the Cabinet, improving collaboration between deputy prime ministers and ministers.**

The proposed ministerial candidates are a compromise solution and could temporary ones (*until the 2021 State Duma elections*). At the same time, the reshuffle is indicative of certain changes in the balance of power within the Government and some of the government's priorities for the near future.

Among the shuffles, **the change of the Head of the Federal Antimonopoly Service** is the most significant and systemic one, bearing in mind the role of Igor Artemiev in developing and implementing competition policy in Russia and expanding the FAS' powers to new policy areas (*regulation of tariffs, control over the public defense procurement etc.*). The new Head of the FAS lacks comparative experience in competition policy and his appointment could result in a weakening of the FAS' political status, including:

- › **Shuffles in the team.** Key members of Artemiev's team could potentially leave the FAS some time after the appointments, which could result in weakening both the FAS' competition policy expertise and its bureaucratic weight.
- › **Reduced autonomy in particular policy areas.** In the long term period, the FAS could play a more passive role in such areas as control of largest M&A transactions, foreign direct investment screening, etc. with key decisions in these areas being made not by the FAS, but by the Government and other stakeholders.
- › **The FAS' role in law-making activity** could be reduced as this area was directly supervised by Artemiev.
- › In the long term, some of the powers currently concentrated by the FAS (e.g. tariff regulation of public defense procurement control) may be transferred back to other authorities.

RESHUFFLE: REASONS AND CONSEQUENCES

Such "bundled" reshuffling is not typical of the governments during the Putin and Medvedev presidencies (*typically, in the past, either the government would resign as a whole or individual ministers would resign*). There may have been several tactical and strategic reasons for this decision, which may have specific consequences.

Tactical

- › **Mikhail Mishustin will be given free rein to form his team and eliminate contradictions within the Cabinet:**
 - › The officials who have left the Government had been appointed to their offices when Dmitry Medvedev was Prime Minister;
 - › The resignations /appointments eliminate a series of contradictions between several ministers and their supervising deputy prime ministers (*Viktoria Abramchenko – Dmitry Kobylkin, Marat Khusnullin – Vladimir Yakushev*), as well as the question of the "excessive" powers held by Deputy Prime Minister Yuri Borisov (*who supervises the entire industrial block and the defense sector*).
 - › For two of the three ministerial candidates, the current deputy prime ministers used to be their bosses (*Alexander Novak – Nikolay Shulginov, Marat Khusnullin – Irek Faizullin*), thus bolstering the deputy prime minister – minister link;
 - › The government reshuffle also highlights strengthening of the positions of Moscow Mayor Sergey Sobyenin (*Marat Khusnullin is connected with him*) and of Deputy Prime Minister Yuri Trutnev (*Alexey Kozlov's promotion*). Whether Mikhail Mishustin's standing has also been bolstered remains to be seen, since none of the proposed candidates are directly connected to him.
 - › The President gains a political opportunity to implement painless "bundled" government reshuffles (*by having them formally approved by Parliament*).

- › Changes in the FAS could also be partially attributed to consolidating the Government and minimizing interagency disagreement as the FAS blocked some of the Government's initiatives and promoted their own, not always being in line with priorities of the Government at large.
- › **Anti-crisis appointments:**
 - › The vacancies have been filled either by people from the economic sectors hit hardest by the crisis (*Vitaly Saveliev, air industry*), or those seen as the engines of a post-crisis recovery (*Irek Faizullin, construction*).
 - › For Vitaly Saveliev, the head of Aeroflot, the move to a ministerial office has most likely been a forced decision (*a state-owned company is considered a more stable and less risky place of employment, Saveliev had long-term programs to develop Aeroflot*) made with the President's direct involvement.
- › **Need to accelerate national projects and state programs:**
 - › Some areas (*solid waste disposal reform, "The Environment" national project, etc.*) supervised by relevant ministers were spinning their wheels;
 - › In particular, the Ministry of Transport, the Ministry for Natural Resources and Environment, and the Ministry for Construction, Housing, and Utilities have been [said](#) to be the foremost in failing to carry out presidential instructions.
 - › At the same time, the implementation of national projects and state programs is directly related to fulfilling Vladimir Putin's decrees pertaining to anti-crisis solutions and generally accelerating economic growth.

Strategic

- › **"Breaking in" personnel procedures after amendments to the Constitution¹:**
 - › The ministers were removed immediately after the President [signed](#) the new law on the Government (*adopted with a view to implementing the amendments to the Constitution*); this law introduces a new procedure for appointing future Ministers and Deputy Prime Ministers.
 - › The candidates are submitted by the Prime Minister and approved by the State Duma. The Prime Minister may repeat the submission to the State Duma three times; subsequently (*if the Duma fails to approve them*), they are appointed by the President.
 - › Even though the appointments and the State Duma approval procedures are controlled processes in procedural terms, they will serve as a stress-test² for Parliament, whose weight in the decision-making system has been to some extent increased by the amendments to the Constitution.
 - › So far, Parliament appears to be playing a technical role in approving the new appointments but the "opposition" factions' response demonstrates that they see this as an additional opportunity to assert themselves by criticizing members of the Government. In the new State Duma, this factor may gain even more strength, particularly if the opposition gains more seats, and Parliament may become generally more independent.
- › **Preparing for the 2021 State Duma elections and changing Parliament's status**
 - › By removing contradictions within the Government and stressing technocratic governance, the authorities are striving to make it more effective in a crisis.
 - › For United Russia, the results of future State Duma elections largely depend on how successful Mikhail Mishustin's Government is in overcoming the crisis.
- › **Weakening the influence of federal financial and industrial groups on the government:**

¹ Amendments to the Constitution were adopted in March 2020 and approved in July by a popular all-Russia vote.

² As of today, the State Duma has no established procedure for approving members of the government.

- › The removed ministers' replacements are largely technical figures less tied to members of the FIGs and state corporations (connections between Dmitry Kobylkin and Leonid Mikhelson's Novatek, between Yevgeny Ditrikh and the Rotenberg family and Russian Railways, etc.) and are geared toward working in as a team with relevant deputy prime ministers.
- › At the same time, it is noteworthy that the appointed ministers are not so much technocrats as current federal and regional officials and heads of state corporations. Consequently, this replacement did not tap into "new" mobility of official's channels (*the Leaders of Russia project, technocratic governors*).

◀ About Kesarev

Kesarev is the biggest independent consulting firm in Russia, in the post-Soviet space, in Central and Eastern Europe, Turkey and Israel, covering 25 countries and specializing in government relations, risk management and business reputation.

Since 2014, The Best Lawyers has consistently ranked Kesarev's consultants among the best in Government Relations Practice, Government Practice, Regulatory Practice, including by awarding them Lawyer of the Year prize. In 2020 and 2019, Kesarev's partners topped the TOP-COMM ranking and, in 2014, 2015 and 2017, they made the TOP 1000 Managers ranking.

www.kesarev.com

For consultations on the present subject, contact Pavel Melnikov, Partner, at p.melnikov@kesarev.com