# ADJUSTED GROWTH STRATEGY: RUSSIA

## Changes to section A (Economic Objective)

Despite unfavourable external environment Russia will continue with structural reforms aimed at accelerating potential GDP dynamics and expanding the social gains of the last decade. These reforms will be supported by prudent macroeconomic management, including careful use of existing buffers to smooth out the negative effects of oil price fluctuations. All Russia's key commitments described in its Brisbane growth strategy are remaining on track (i.e. *Creation of high-productive quality jobs and increase in labor productivity; Increasing investments, particularly in infrastructure; Increasing share in GDP of high-technology and science intensive sector; Improving investment climate and Ensuring macroeconomic sustainability*).

As concerns key measures which make the above mentioned commitments more concrete and simplify its implementation assessment they were selected in line with G20 recommendations and advice of IOs and based on criteria of their valuable impact on growth, measurability and adherence to Russia's Brisbane key commitments. The list of key measures is as follows:

1. Enhance the efficiency of public investment through public reporting and audit;
2. Implement large scale public investment projects partially financed by the SWF;
3. Support SMEs;
4. Enhance customs administration;
5. Supporting exporters and enhancing access to foreign markets.

In addition, we enlarged the adjusted growth strategy by the following new measures:

- Public guarantees for project financing;
- Tax relief for newly-created industrial enterprises.

More detailed description of these measures is provided in section C.

**Changes to section B** (Economic Outlook and Challenges to Growth)

An abrupt fall in oil prices led to considerable reduction of export revenues, significant ruble depreciation, surge of inflation and an increase in uncertainty in the 4$^{th}$ quarter of 2014 and 1$^{st}$ quarter of 2015 leading to private domestic demand and output reduction. Despite a slight pick-up in March-June, external economic conditions worsened again in the 3$^{rd}$ quarter of 2015. The increased volatility of global financial and commodity markets had a negative impact on the rouble exchange rate, which led to some acceleration of inflation in July-September 2015.

Facing the rouble noticeable weakening and inflation acceleration in end-2014 the Bank of Russia took measures aimed at normalizing the situation in the financial market, restricting depreciation and inflation expectations. The Bank of Russia raised the key rate to 17% in December 2014, increased the volume of its reverse operations to provide foreign currency liquidity to the Russian banks, and introduced temporary less stringent prudential requirements for the banking system. Due to the shift in the balance of risks of accelerated consumer price growth and cooling economy the Bank of Russia started to cut its key rate in end-January 2015. The key rate has been reduced to 11% up to September 2015.

The Russian economy has proven quite resilient due to support from net exports (as external competitiveness of Russian producers improved, stimulating exports and promoting import substitution) and countercyclical use of the Reserve Fund. The latter helps to support public consumption and investment. Overall federal budget expenditures for 2015 were cut by just 1,9% (though for some non-priority spending categories, this figure reaches 10%). Re-capitalization of the banking system through issuing government bonds and use of the National Wealth Fund has already helped to increase confidence and protect infrastructure financing. These and other stabilization measures from the Government's sustainable development and stability plan (adopted in January 2015) will dampen the output fall in 2015 by estimated 0,9 p.p.

At the moment, we are witnessing stabilization of the rouble's exchange rate and consumer price growth and improvement in leading indicators of economic activity. The projected reduction of inflation risks will allow the bank of Russia to lower further its key policy rates. Bank of Russia expects that inflation in 2015 will go down to 12-13 %

Return to growth path is expected in 2016. Nevertheless, substantial vulnerability to external shocks demonstrates that transition to a more diversified economy remains the main challenge for the Russian economy, and the revised Growth Strategy will retain its focus on addressing this issue.

**Key Indicators**

| | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|---|---|
| Real GDP (% yoy) | 0,6 | -3,9 | 0,7 | | | |
| Nominal GDP (% yoy) | 7,9 | 2,9 | 7,0 | | | |
| Inflation (%, yoy, end of period) | 11,4 | 12,2 | 6,4 | | | |
| Fiscal Balance (% of GDP) | -0,5 | -3,0 | -2,8 | | | |
| Unemployment (%) | 5,4 | 5,8 | 5,8 | | | |
| Savings (% of GDP) | 22,9 | 22,7 | 23,6 | | | |
| Investment (% of GDP) | 19,6 | 19,0 | 18,7 | | | |
| Current Account Balance (% of GDP) | 3,2 | 5,2 | 4,9 | | | |

The scenario assumes average oil price for 2015 is $53/barrel, in 2016 - $50/barrel.

**Changes to section C** (Policy Responses to Lift Growth)

*New Macroeconomic Policy Responses (including Reforms to Frameworks)*

In the face of unfavourable external environment, fiscal policy will be geared towards maintaining long-term stability while utilizing the existing buffers, such as Reserve Fund and National Welfare Fund (NWF), to support the economic activity and, in particular, the living standards of the most vulnerable social groups. On the former front, the budget for 2015-2016 (adopted in October) envisages cuts for spending categories so as to limit the annual deficit to 3,0 % of GDP.. On the latter front, spendings in 2015 will be supported by an outlay of more than 2,6 trillion rubles from the Reserve Fund and in 2015 with 1,96 trillion roubles. Among other things, this help to will to finance an increase of social expenditures by 7,5% in 2015 above the projections made in 2014. Moreover, fiscal buffers will be used to strengthen financial stability and encourage investment, by providing up to 250 bln. rubles from NWF for bank recapitalization and up to 300 bln. rubles for (State development institution) Vnesheconombank.

The primary objective of the Bank of Russia's monetary policy is to ensure price stability as an important condition for balanced and sustainable economic development. As the inflation and inflation expectations decline, long-term rates on loans will go down boosting the economic growth.

In 2014 the Bank of Russia completed the transition to the inflation targeting regime. The new regime's essential characteristics include setting quantitative inflation targets, making decisions primarily on the basis of the forecast of economic development and inflation dynamics, as well as the Bank's active external communication and accountability.

The inflation target is set for a medium run. The monetary policy goal is to lower inflation to 4% in 2017 and keep it close to this level. The Bank of Russia ensures the achievement of the inflation target primarily by adjusting interest rates on its operations. The Bank of Russia pays close attention to macroeconomic forecasts and the assessment of the risks of inflation deviation from the target, taking into account that the impact of the monetary policy measures is spread over time.

At the end of 2014 the Bank of Russia moved to floating exchange rate regime. Free floating exchange rate allows the Bank of Russia to focus on management of market interest rates to meet inflation targets. The Bank of Russia will continue to make foreign currency transactions in the domestic market related with replenishment and disbursement of the sovereign wealth funds in favour of the Russian Federal Treasury demands. The Bank of Russia also reserves the right to make currency interventions that facilitate liquidity management in banking sector. At the same time, this regime allows discretionary interventions in domestic currency market in order to maintain financial stability in case of major external shocks.

In addition to price stability, the Bank of Russia also promotes sustainable functioning and development of the banking sector, financial market and payment system. Both this aim and the inflation targeting are equally important and considered to be complementary long-term objectives.

### *New Structural Policy Responses*

#### *Investment and Infrastructure*

We reaffirm last year decisions by the Government that envisage use of the public funds to support investment in the large-scale infrastructure projects, which represents one of Russia's key measures. Last year we expected ten projects to be partly financed through the Sovereign Wealth Fund (SWF), though the actual number of the projects approved increased to 11. Seven of them are to be completed by 2018, and four – in 2019-2024. At the same time the share of private investment rose and the approved amount of investment through the SWF is around 820 bln. rubles (the expected amount was 935 bln. rubles).

Another key measure to support private investment is to provide public guarantees. 30 bln. rubles of additional public guarantees will be available for project financing in 2015-2017. Project financing refers to credits provided by commercial banks to priority projects (selected by the Government), for which the banks involved receive reduced-rate loans from the Bank of Russia. When this program was announced in October 2014, it was planned to provide 125 bln. rubles of guarantees in 2015-2018. The expected outcome is to increase availability of loans for the real sector.

To foster investment in SMEs, the Agency for Credit Guarantees was established in May 2014. Demand for its products in 2014 was lower than expected and amounted to 212 guarantees with a total value of 1,43 bln. rubles, which is almost half of the expected result. In accordance to this, we would like to modify our commitment concerning financial and economic performance of the Agency for Credit Guarantees: total amount of provided guarantees and warrantees by the Agency is expected to reach 309,7 bln. rubles with the number of contracts - 5 836 by 2017. According to the previous commitment the total amount of guarantees to be issued by 2018 was 7300 contracts and their value amounted to 350 bln. rubles.

A novel key measure agreed by the Russian Government in April 2015 is a tax relief for newly created industrial enterprises. Federal corporate tax rate for such firms will be lowered from 2% to 0%, while the regions will have the discretion to lower regional tax rate from 18% up to 10%. For firms to qualify, they should enroll for a regional register on investment projects. Tax relief will last until investment expenses made in first three years (if those expenses were in the range of 50 to 500 mln. rubles) or in first five years (if those expenses exceeded 500 mln. rubles) since enrolment date are fully recouped. Importantly, this reform will simultaneously cover key Russia's commitments 1-4 made at the Brisbane summit.

In addition, the regions will be given the right to reduce tax rates for SME taxpayers using simplified system for tax on income from 6% to 1% and to reduce tax rates for those who are using imputed tax on income from 15% to 7,5%. This will also have an effect of increasing resources available for investment.

### *Employment*

In 2015 the new measure will be added to support sustainability of regional labor market. Extra funding will be provided to the regions to support organization of temporary employment for the unemployed and those at a risk of redundancy, support of private employment services, vocational education and training, youth participation in important social projects implementation, social employment of disabled. This measure is adopted by the Decree of Russian Government.

### *Competition*

In order to foster investment and competition, it is planned to reduce regulatory burden on firms with a small market power and toughen the criteria for anti-monopoly inspections. Excessive regulatory burden impedes growth and development. Therefore, following amendments[1] to the federal law "On protection of Competition" dated 26 July 2006 were introduced:

- Immunity from anti-monopoly prosecution for the firms with revenue less than 400 mln. rubles and agreements between firms with total revenue less than 400 mln. rubles (with an exception for firms with government share, financial organizations and natural monopolies). Previously there was no immunity for small and medium enterprises, they could be inspected and declared dominant if they qualify for other criteria (e.g. its share exceeds the shares of other economic entities in the relevant goods market, an economic entity can unilaterally determine the level of goods prices and exercise decisive influence upon overall conditions of good circulation on the relevant goods market, the entry of new competitors to the relevant goods market is made difficult, in particular, due to economic, technological, administrative or other restrictions; the goods sold or bought by the economic entity cannot be substituted by other goods in consumption etc);
- Company with a market share less than 35% will no longer be declared dominant. Previously, a company could have been declared dominant even if its share was less than 35% but it qualifies for above mentioned criteria. This measure will decrease administrative burden for the small and medium enterprises.

We would also like to add a new measure supporting development of SMEs in Russia and raising its competiveness. In Russia eligibility criterion for SMEs' public support is revenue. Therefore fast-growing SMEs cease to qualify for the support[2] as their revenue grows. The new measure addresses this issue and introduces doubling of the revenue limits criteria for the SMEs so that more firms will be eligible for the state and municipal support. The new revenue limits will be as follows:

- For microenterprises –120 mln. rubles (previously – 60 mln. rubles)
- For small enterprises –800 mln. rubles (previously – 400 mln. rubles)
- For medium enterprises –2 bln. rubles. (previously – 1 bln. rubles)

Thus the commitments regarding SMEs in Russia's growth strategy will have a larger impact as more companies are eligible for the support.

### *Trade*

"Enhance customs administration" and "Supporting exporters and enhancing access to foreign markets" are among Russia's key measures. Concerning the first one, the corresponding Roadmap is on track (with 70% of measures already implemented); in addition, in February 2015 the Eurasian Economic Commission presented a detailed

[1] Amendments adopted by the federal law № 275 dated October 5, 2015

[2] Support for SMEs includes programs for innovation enterprises for which additional 5 bln. rubles were earmarked in the Government's sustainable development and stability plan, subsidies and grants provided by the Ministry of Economic Development, loans provided by SMEs bank and guarantees provided within the National Guarantee System.

Action plan for implementing the “Single window” mechanism on the Eurasian Economic Union (EEU) borders. Pilot “single window” projects in all EEU countries will be launched by the end of 2015; by the end of 2018 national external trade regulations will be largely harmonized. As for the second one, the corresponding Roadmap was thoroughly revised in April 2015, by dropping measures that have already been implemented (32% of the original Roadmap) and replacing them with new measures, including simplifying the refund of excise taxes for exporters, financial support for exports of services, introducing deadlines for decisions on interest rate subsidies for export credits, creating a “single window” mechanism for financial and non-financial export support. Russia has also implemented its commitment to launch the integrated Centre for credit-insurance support of exports (Russian Export Centre, based on export insurance agency EXIAR and Roseximbank). The Strategy of the Centre, published in January 2015, provides for a more than 6-fold increase in the volume of the exports covered by financial support in 2015-2017 (from 3,5 to 23 bln. dollars), as well as for an increase in export credits from 0,03 to 7 bln. dollars per year during the same period.

# ANNEX 1: NEW AND ADJUSTED POLİCY COMMİTMENTS FOR 2015

## New and Adjusted Commitments since Brisbane

### *Macroeconomic Policy Responses*

| • | **Inflation targeting implementation** |
|---|---|
| **Implementation path and expected date of implementation** | The primary objective of the monetary policy under the inflation targeting regime is to lower inflation to 4% in 2017 and keep it close to this level. |
| **What indicator(s) will be used to measure progress?** | Consumer price index (CPI) |
| **Explanation of additionality or adjustment (where relevant)** | The commitment was updated in the "Guidelines for the Single State Monetary Policy in 2015 and for 2016 - 2017" adopted in November 2014. |

### *Investment and Infrastructure*

| • | ***Public guarantees for "project financing"*** |
|---|---|
| **Implementation path and expected date of implementation** | Provision of 155 bln. rubles of guarantees in 2015-2018 (125 bln. rubles in 2015-2018 and additional 30 bln. rubles in 2015-2017). |
| **What indicator(s) will be used to measure progress?** | Volume of guarantees provided |
| **Explanation of additionality or adjustment (where relevant)** | Additional measure to foster private investments. |

| • | **Tax relief for newly created industrial enterprises** |
|---|---|
| **Implementation path and expected date of implementation** | The Law on amendments to The Tax code was adopted by the State Duma on September 22, 2015 and expected to become effective early next year (2016).<br>The federal law is aimed at giving regions the power to reduce the tax burden on industrial start-ups within total volume of their capital expenditures.<br>The law allows regions to reduce up to 10 % the regional income tax |

| | |
|---|---|
| | rate (from 18% to 10%) for organizations participating in regional investment projects. In addition, for such taxpayers it is possible to reduce to 0 % the federal profit tax (from 2 % to 0 %). |
| **What indicator(s) will be used to measure progress?** | Effective Corporate tax rate for this group of enterprises. |
| **Explanation of additionality or adjustment (where relevant)** | New measure |

| • | **Tax relief for small enterprises** |
|---|---|
| **Implementation path and expected date of implementation** | Regions will be given the right to reduce tax rates for taxpayers using simplified system for tax on income from 6% to 1% and to reduce tax rates for taxpayers using imputed tax on income from 15% to 7.5%. Corresponding federal law № 232 dated 13.07.2015 will come into force in January 2016. |
| **What indicator(s) will be used to measure progress?** | Effective Income tax rate for small enterprises. |
| **Explanation of additionality or adjustment (where relevant)** | New measure |

## *Employment*

| • | ***Supporting sustainability of regional labor markets*** |
|---|---|
| **Implementation path and expected date of implementation** | In 2015 extra funding will be provided to the regions to support sustainability of regional labor market. This new measure is adopted by the Decree of the Government of the Russian Federation as of January 22, 2015 # 35. |
| **What indicator(s) will be used to measure progress?** | Number of regions supported. |
| **Explanation of additionality or adjustment (where relevant)** | New measure |

## *Competition*

| • | ***Optimizing anti-monopoly regulations*** |
|---|---|
| **Implementation path and expected date of implementation** | Corresponding amendments were adopted with the federal law № 275 dated 05.10.2015 (comes into force 05.01.2016) |
| **What indicator(s) will be used to measure progress?** | Amendments to the federal law № 135 dated 26.07.2006 "On protection of Competition" include:<br>- Immunity from anti-monopoly prosecution for the firms with revenue less than 400 mln. rubles and agreements between firms with total revenue less than 400 mln. rubles;<br>- Company with a market share less than 35% can no longer be declared dominant. |
| **Explanation of additionality or adjustment (where relevant)** | To foster competition it is extremely important to reduce excessive administrative burden on firms. |

| • | ***SME support: expansion of participation of fast-growing SMEs in government and municipal support programs*** |
|---|---|
| **Implementation path and expected date of implementation** | Government Decree № 702 dated 13.07.2015 «On limits of revenues from sales of goods and services for each category of small and medium entreprises» is adopted. |
| **What indicator(s) will be used to measure progress?** | Volume of financial support |
| **Explanation of additionality or adjustment (where relevant)** | Fast-growing SMEs cease to qualify for the support as their revenue grows. The new measure addresses this issue and introduces doubling of the revenue limits criteria for the SMEs so that more firms will be eligible for state and municipal support. |

## ANNEX 2: PAST COMMITMENTS - ST. PETERSBURG FİSCAL TEMPLATE (RUSSIA)

1. **Medium-term fiscal strategies:**

   a. **Overall strategy for debt sustainability**

Russia's overall strategy for debt sustainability is multi-pronged encompassing the following:

- Maintaining a low overall debt burden. Currently the debt-to-GDP base is at around 15,6 % of GDP for federal government debt and around 42 % of GDP for total external debt (both public and private sector).
- Maintenance of tight fiscal policy and moderate budget deficits projected for the medium-term run;
- Modification of fiscal rule in compliance with new opportunities of federal budget and its revenues
- Ensuring sustainability of the budget system and maintenance of sufficient level of budgetary reserves;
- Enhanced monitoring of contingent liabilities including direct (e.g. guarantees) and indirect (state-owned enterprises borrowing);

In addition to the above measures the Russian Federation takes the following actions aimed at creating a stable source of financing the federal budget deficit, minimization of public debt risks and development of the domestic capital market:

1. Modernization of the Russian debt market so it will have all the attributes of a developed market:
   - implementation of the over-the-counter trading of public bonds;
   - regular issuance of benchmark Federal Bonds (OFZ) with a fixed rate coupon at standard maturities (3-15 years) and amounts;
   - initial offering and secondary trading of public bonds in a unified with corporate bonds market place at Moscow Exchange;
   - provision of direct access to the OFZ market to the non-residents through accounts in the international depositary clearing systems Euroclear and Clearstream;
   - OFZs secondary trading in both “T+0” and “T+2” regimes;
   - launch of a tripartite REPO on public bonds basket;
   - disclosure of all information about the public bonds market on the official website of the Ministry of Finance of the Russian Federation.
2. The priority of domestic borrowings for the federal budget deficit funding.
3. Optimization of the term structure of the liabilities portfolio with the target of reaching duration of 5 years aiming to keep the refinancing risk low. Upon

stabilization of the debt market it is planned to switch from issuing mainly medium-term bonds to bonds with a longer maturity.

4. Maintenance of the open dialogue with three major international rating agencies aimed at upgrading Russia's sovereign credit ratings in the medium-term.

5. Realization of a more pro-active liability management policy to affect the public debt size and structure, including the exchange of the old non-liquid non-standard government bonds onto the new on-the-run benchmark bonds. Exchange the non-liquid bonds of the Bank of Russia portfolio for the amount of up to 200 bln. rubles is planned in 2015.

6. Increasing the amount of the OFZ issuances in circulation to increase the liquidity of the government bonds.

7. Broadening the investor base through offering new debt instruments. In 2014 the Government of the Russian Federation for the first time issued floating rate bonds linked to RUONIA rate (one of the key indicators of the money market). Issuance of new inflation-indexed OFZ (was arranged in 2015).

8. Further infrastructural modernization aimed at creating more comfortable market conditions.

### b. Debt-to-GDP ratio objective

While the Russian Federation does not have firm legally-obliged limit on debt-to-GDP ratio, the medium term debt policy envisages an indicative sovereign debt-to-GDP "threshold" considered at the level of 25%. At the same time in order to limit the risks related to country's dependence on oil and gas revenues the projected level of this ratio for 2015-2016 is not expected to exceed 15%.

The rising level of the Russian corporate debt burden suggests that the financial authorities should pay close attention to corporate borrowings. Enhancing the system of monitoring the corporate and bank borrowings will be continued with focus on the borrowing policy of the enterprises with significant government stake. Current level of corporate debt is manageable and does not carry significant risks for financial stability.

## 2. Medium-term projections:

Russia's medium-term projections for the debt-to-GDP ratio and the federal budget deficit for the period, till 2017 are the following:

| | *Fact* | *Projections* | | |
|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** |
| Government Debt | 14,4 | 15,6 | 15,9 | n/a |
| Deficit | -0,5 | -3,0 | -2,8 | n/a |

3. **Economic Assumptions:**

The debt-to-GDP ratio and the federal budget deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

| | Fact | Projections | | |
|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** |
| real GDP growth | 0,6 | -2,8 | 0,7 | n/a |
| nominal GDP growth | 7,9 | 2,9 | 7,0 | n/a |
| ST RUB interest rate* | 8,3 | 11,4 | n/a | n/a |

*Average for the OFZ medium-term rates as reported on the CBR's website for the years 2014-2015.

## ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

### Key Commitments for Monitoring Purposes

#### *Investment and Infrastructure*

| • | Enhancing the efficiency of the public investment, including the investment of the natural monopolies, through obligatory public technical and price audit of all large-scale projects even partially financed by the state. | | |
|---|---|---|---|
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1 – Public audit is obligatory for the projects financed in the amount of 8 bln. rubles or higher.<br>2 – Public audit is obligatory for the projects financed in the amount of 1,5 bln. rubles or higher. | 1- 2014<br>2- 2015 | 1- complete<br>2- On track |
| **Impact of Measure** | In 2014 public audit was conducted for the 7 projects with a total amount of more than 115 bln. rubles.<br>Efficiency of the process of the project implementation and control over the state spending is increasing | | |

| • | Implementation of large public investment projects partially financed through the Sovereign Wealth Fund | | |
|---|---|---|---|
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1 – approval of the projects<br>2 – implementation of the projects (7) | 1- 2014<br>2- 2018 | 1 - complete<br>2 - On track |
| **Impact of Measure** | Policies to provide high-value infrastructure are contributing to productivity and supply and so have an impact on the medium-term growth picture. This measure also unlocks soundly based private investment, which in its turn has potential to contribute to economic growth. | | |

| • | SME support: subsidies to SMEs, development of infrastructure for the entrepreneurship support in the regions of the Russian Federation | | |
|---|---|---|---|
| **Detailed implementation** | Interim Steps for Implementation | Deadline | Status |

| | | | |
|---|---|---|---|
| **path and status** | No less than 3% of SMEs are supported annually in 2014-2018 | 2018 | on track |
| **Impact of Measure** | SMEs are contributing to economic growth and job creation. | | |

| • | Agency for Credit Guarantees | | |
|---|---|---|---|
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 5 836 guarantees with total amount of 309,7 bln. rubles. | 2017 | on track |
| **Impact of Measure** | The expected impact is a creation of up to 99,6 thousand jobs. | | |

## *Trade*

| • | Supporting exporters and enhancing access to foreign markets | | |
|---|---|---|---|
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1 – Joining UNIDROIT factoring convention; expanding insurance coverage of export credits; streamlining issuance of export permits | 1 – 2014 | completed |
| | 2 – Establishment of Russian Export Centre (REC) | 2 –2015 | Strategy of the Centre approved in January 2015. Amendments to corresponding federal laws being prepared by Ministries of Economy and Finance. Amendments (Fed. law dated 29.07.2015) to Federal law № 82 dated 17.05.2007 "On development bank" were adopted in order to determine the legal status of the Centre for credit-insurance support of exports |
| | 3 –Simplification of tax refunds for exporters | 3 – 2015 | |
| | 4 – Streamlining financial and non-financial support for exporters, incl. through "single window" mechanism | 4 –2015 | Federal law on export support being prepared by the Ministries of Economy and Industry and Trade |

| | |
|---|---|
| **Impact of Measure** | Implementation of the measure will help to ensure the growth of non-commodity exports of about 6.3% annually in the medium-term, which is higher than world average (5%). On the whole, this will contribute to increasing the share in GDP of high-technology and science-intensive sectors. |

| • | **Enhance customs administration** | | |
|---|---|---|---|
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1 – Reduction in the number of documents for export and import to 4 (from 7 and 10 in 2013 respectively), widening the use of electronic document interchange | 1 –2018 | Number of documents both for export and import was reduced by 1 in 2014; option to provide only electronic documents to customs authorities and banks has been already implemented |
| | 2–Improving infrastructure of border crossings | 2– 2018 | Capacity of border crossings grew by 6.5% in 2014 |
| | 3– Creating a "single window" mechanism at EEU borders | 3 –2018 | Action plan was adopted by Eurasian Economic Commission in February; pilot projects will be launched by the end of 2015. |
| **Impact of Measure** | Implementation of the measure will help to improve investment climate in Russia | | |

## Other Brisbane Commitments

### *Macroeconomic policy responses (including reforms to frameworks)*

| • | **Completing the transition to the floating exchange rate regime** |
|---|---|
| **Implementation path and expected date of implementation** | Completed in November 2014 |
| **Status of Implementation and Impact** | |

## *Investment and Infrastructure*

| • | **Improvement of the PPP mechanism** |
|---|---|
| **Implementation path and expected date of implementation** | We expect the number of projects negotiated within the PPP law, including concessions, to increase by 10% by 2016 and by 30% by 2018. |
| **Status of Implementation and Impact** | The implementation of measure is on track. Implementation will allow fostering private investment in infrastructure and attracting additional sources of financing. |

## *Employment*

| • | **Quality job creation, modernization of the existing jobs and boosting labour productivity** |
|---|---|
| **Implementation path and expected date of implementation** | The action plan for increased labour productivity and quality job creation was adopted by the Government on July 9, 2014 (with a period of implementation up to 2018). According to the action plan labour productivity will increase to 7,6-9,5% in 2015-2018. |
| **Status of Implementation and Impact** | The Road Map was developed and approved by the Government of the Russian Federation on October 31, 2014 by directive № 7389-p-P13. It includes measures to improve productivity in state-owned companies.<br>The new Government Action plan till 2018 (preparation is on-going) will include set of actions aimed at labour productivity and job creation.<br>Currently growth in labour productivity in 2014 was lower than planned, due to a sharp decline in oil prices and other external and internal factors. |

| • | **Increasing labour participation of the vulnerable groups** |
|---|---|
| **Implementation path and expected date of implementation** | The program "Promotion of the Population Employment" was adopted by the Government on April 15, 2014, and its implementation plan was approved on June 13, 2014 (with a period of implementation up to 2016). |
| **Status of Implementation and Impact** | In 2014 it was planned to create 14,2 thousand jobs equipped for disabled. By the end of 2014 - 14,9 thousand jobs equipped for disabled were actually created. As the result 16 thousand disabled workers got new jobs. |

| • | Elimination of Structural and regional imbalances through increased labour mobility and education programs |
|---|---|
| **Implementation path and expected date of implementation** | The program "Promotion of the Population Employment" was adopted by the Government on April 15, 2014, and its implementation plan was approved on June 13, 2014 (with a period of implementation up to 2020). |
| **Status of Implementation and Impact** | Appropriate amendments to the Federal law "On Employment in the Russian Federation "On Amendments to the Law of the Russian Federation" introducing new mechanism incentives for labour mobility and relocation of employment were adopted on December 22, 2014 № 425-FZ.<br>The Decree of the Government of the Russian Federation as of April 20, 2015 #969-p defined the list of regions of the Russian Federation where the involvement of labour resources is a priority issue (15 regions). In these several regions with labour deficit a pilot Project has started aimed at facilitation of labour mobility to these regions.<br>In 2014 0,3% of the unemployed were relocated and got new jobs in other regions. |

## *Competition*

| • | SME support: SMEs access to the procurement of infrastructure monopolies and state-owned companies |
|---|---|
| **Implementation path and expected date of implementation** | We expect the share of SME's in the procurement items provision for the infrastructure monopolies and state-owned companies to increase to 25% by 2018. |
| **Status of Implementation and Impact** | As of 2014 the share of SME's in the procurement items provision for the infrastructure monopolies and state-owned companies amounted to 10%. |

## *Trade*

| • | State Program "Development of external economic activities" |
|---|---|
| **Implementation path and expected date of implementation** | Covers the period 2014-2018 with interim quantitative checkpoints each year. Each sub-measure (24 in total) correlates to at least one quantitative indicator (36 in total). Main points: fostering bi-, multilateral and global trade cooperation; financial and informational support for exporters; improving the customs and border formalities. |
| **Status of Implementation and Impact** | The program was on track in 2014, with capacity of border crossings growing faster than predicted. |

# Annex 4: Pre-Brisbane Commitments

| **Commitment** | |
|---|---|
| **Structural reform/monetary & exchange rate policies**<br><br>**Improvement of the legislation in order to raise standards of information disclosure by financial institutions, consolidated supervision, strengthening infrastructure and financial markets regulation.** | **Action Plan**<br><br>The 2010 Seoul Multi-Year Action Plan |
| **Rationale for carrying forward** | More standardized information disclosure and enhanced financial regulation consistent with internationally agreed standards will help to improve business climate, make the financial market more predictable and attractive for international investors thus contributing to the economic growth. |
| **Update on Progress** | *In December 2014 the Russian President signed Federal Law № 432-FZ "On Amendments to Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts (Provisions of Legislative Acts) of the Russian Federation."*<br><br>*In accordance with these amendments the Bank of Russia was entitled to require credit institutions to develop and submit recovery plans to restore financial sustainability, to ensure compliance with the requirements for their content. Credit institutions which are parent organizations in banking groups have the right to develop recovery plans of banking groups, and make changes to the recovery plans. The Bank of Russia evaluates recovery plans, changes made to the recovery plans. The Bank of Russia acknowledges the recovery plan and may recommend banks to make amendments to recovery plans. Requirements for the content, procedure and timing of the Bank of Russia plans to restore financial sustainability, changes to the financial sustainability of recovery plans, the order of their analysis are stipulated by the Bank of Russia legislation.*<br><br>*The new changes also provide for the improvement of legal regulation of financial recovery and liquidation of credit institutions and tools for the prevention of bankruptcy and procedures for the settlement of obligations of banks if they have evidence of the precarious financial situation, identify situations that threaten the interests of creditors (depositors) and (or) the stability of the banking system. The main purpose of the law adoption is the consolidation of the Russian Federation legislation on insolvency (bankruptcy).* |

| Commitment | | |
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| **Structural reform/monetary & exchange rate policies**<br>**Regulation of systemically important financial institutions (D-SIBs, D-SIIs and D-NBNIs).** | | **Action Plan**<br>The 2010 Seoul Multi-Year Action Plan |
| **Rationale for carrying forward** | More tight regulation of national systemically important financial institutions will improve the situation in the banking system. The population confidence in the reliability of systemically important financial institutions will contribute to the attraction of funds to the banking system so they will be redirected to the real economy. | |
| **Update on Progress** | *The Bank of Russia is developing a special approach to the supervision and regulation of D-SIBs. In April 2014 was published Order of the Bank of Russia № OD-607 on April 9, 2014 on the assessment methodology of systemically important payment systems operators, raised their operators services payment infrastructure and related systemically important payment systems, for compliance with the Bank of Russia recommendations. In accordance with the order the Bank of Russia made recommendations with regard to the IOSCO/CPMI Principles for financial market infrastructures.*<br><br>*In September 2014 the results of assessment of all existing infrastructure entities in the Russian financial market on the basis of the Bank of Russia Directive as of 25.07.2014 № 3341-U "On recognition of the financial market infrastructure entities systemically important," the Bank of Russia has recognized "National Settlement Depository" and "National Clearing Centre" as systemically important financial market infrastructure entities. This Directive covers the criteria used for identifying systemically important central depository, central counterparty, settlement depository and repository at the national level. At the international level for systemically important financial market institutions developed standards for the regulation, supervision and oversight contained in the report "Principles for financial market infrastructures". Compliance with the criteria by the financial market infrastructure entities is defined by the Bank of Russia on a quarterly basis.*<br><br>*In accordance with the adopted in December 2014 Federal Law № 432-FZ "On Amendments to Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts (Provisions of Legislative Acts) of the Russian Federation" systemically important credit institutions are identified according to the methodology adopted by the Bank of Russia. The Bank of Russia has the power to set for systemically important credit institutions the procedure for calculating and the limits of liquidity ratios. Systemically important credit institutions are required to develop and submit to the Bank of Russia recovery plans to restore financial sustainability, and to make changes in the recovery plans. The Bank of Russia on the basis of submitted by the systemically important credit institutions recovery plans develops action plans in respect of such credit institutions in case the measures contained in their recovery plans will not lead to the financial stability restoring.* | |