

2016

GROWTH STRATEGY

RUSSIA



Russia's Growth Strategy Update for 2016

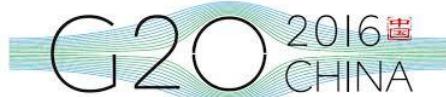
A. Economic Context and Objective

External environment remains unfavourable for Russia. Oil and other commodity prices fell in the end of 2015 - beginning of 2016, reaching multi-year lows in January, resulting in a sharp decrease in export and budget revenues and (alongside with intensification of volatility and risk-off sentiments in global financial markets) in ruble weakening and drop in Russian financial asset prices.

Admittedly, since February 2016 a certain recovery in oil prices and improvements in financial markets have been observed, leading to ruble appreciation. However, the average oil price projection for 2016 is still significantly lower than envisaged in Antalya (40 as opposed to 50 \$/barrel). Moreover, GDP growth in Russia's main trading partners is expected to weaken in 2016, putting downward pressure on external demand for Russian products. Both oil price dynamics and situation in the global economy are still characterized by high uncertainty.

Despite that, Russian economic performance has been showing signs of resilience and quick adjustment to the new reality. 2015 GDP fall of 3.7% was smaller than the international organizations' projections; in the first half of 2016, the decrease as compared to the same period of 2015 was only 0.9%, and quarterly dynamics points at output stabilization. Unemployment remains low. Overall GDP fall in 2016 is projected at 0.2% (GDP growth is anticipated to reach positive territory no later than in 2016 H2). Thus, the performance of the Russian economy has been much better than during 2008-2009, in spite of a larger deterioration of the terms of trade this time. In a significant part, that is due to supportive fiscal policies aimed at mitigating the negative effects of falling incomes on demand (see section B), as well as due to a floating exchange rate regime helping economic adjustment. Inflation developments have been favourable: in the first months of the year, it remarkably decreased to 7.2% yoy by end-July 2016 from 12.9% yoy in December 2015. Slower consumer price growth was triggered by weak demand and gradually descending inflation expectations, driven by the moderately tight monetary policy.

Starting in 2017, annual GDP growth will turn positive, led by investment. Many of the prerequisites for investment-led growth model involving diversification the economy away from commodities sector are already in place. For instance, exchange rate adjustment helped to increase the share in GDP of non-commodity tradable sector (in particular, agriculture, food and chemical industries) from 17.9% in 2013 to 19.7% in 2015. Implementation of ambitious roadmaps aimed at enhancing investment climate has resulted in Russia's Doing Business rating improving from 92nd in 2013 to 51st in 2016. However, some challenges remain, including further advancing the structural reforms agenda



corresponding to Russia's key commitments described in its Brisbane growth strategy¹. These challenges are addressed in the Government's sustainable development plan adopted in March 2016.

Supporting macroeconomic sustainability with prudent monetary and fiscal policy being focused on their primary objectives also remains the crucial condition for the strong, sustainable and balanced growth of the Russian economy.

B. Macroeconomic Policy Actions to Support Growth

The twin goals of fiscal policy in the unfavourable external environment are maintaining long-term stability while countercyclically utilizing the buffers, including the Reserve Fund and the National Welfare Fund (NWF), to dampen the effects of shocks on economic activity and living standards. As the GDP dynamics are improving, the emphasis is increasingly laid on the first goal. The aim is to contain the federal budget deficit at 3% of GDP in 2016 and to proceed with the fiscal consolidation in the medium term. This consolidation will be performed in a growth-friendly and socially responsible manner, with a focus on improving efficiency of public expenditures. At the same time, there is no intention of raising tax rates in the medium-term, so as to provide stable and predictable environment for business.

As concerns the second goal, fiscal support for the economy is ongoing. Reserve Fund expenses in 2016 are projected at 2.1 trillion rubles or 2.5% of GDP (in comparison, the figure for 2015 was 2.6 trillion rubles). Among other things, they will fund a 4.4% increase in social expenditures in 2016. In addition to the NWF outlays for infrastructure projects announced previously in 2014-2015 (see section D and Annex 1), 40 billion rubles from the NWF will be utilized to support the railways sector.

In end-2014 the Bank of Russia officially moved into fully-fledged inflation targeting which is characterized by the following principles: the primary goal of the monetary policy is price stability, the target inflation level is clearly specified and announced, under the floating exchange rate the monetary policy influences the economy primarily through interest rates, monetary policy decisions are based on an analysis of a wide range of macroeconomic indicators and their forecasts, the central bank strives to set clear guidelines for households and businesses, including by increasing information transparency.

The Bank of Russia is set to reduce inflation to 4% in 2017 and keep it close this level in the years to come. Monetary policy decisions are based on the trade-off between inflation risks and risks for the economic growth.

¹ 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.



In end-2014 in the wake of abrupt fall in the oil prices and facing significant inflation acceleration the Bank of Russia raised its key rate to 17%, 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. In the 1st half of 2015 due to the shift in the balance of risks from accelerated consumer price growth to cooling economy the Bank of Russia cut its key rate several times.

In the 2nd half of 2015 external economic conditions worsened again. The deterioration in the global financial and commodity markets had a negative impact on the ruble exchange rate and inflation expectations. Although February-May 2016 showed some improvements in external conditions and a slowdown in inflation and inflation expectations, the Bank of Russia saw the risk of instability of those trends and kept its key rate unchanged at 11%. Finally, in June 2016, the Bank of Russia became more confident in persistence of inflation deceleration, and lowered the key rate to 10.5%.

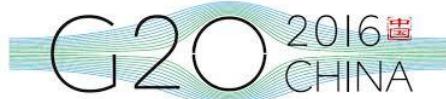
Nevertheless, the current inflation and inflation expectations are still higher the target of 4% that implies the constraint of monetary policy space in the economy this year to support short-term demand.

C. Structural Reform Priorities

C1. Implementation of Past Growth Strategy Commitments

Employment

All Brisbane and Antalya measures in this thematic area are on track. The measures to enhance labour force participation of vulnerable groups have been very successful, with the target indicator for creation of jobs equipped for disabled being exceeded in 2015 (after similar success in 2014). This is important both from a viewpoint of dampening the overall shrinking of labour force in Russia (caused by demographic factors) and from a viewpoint of promoting inclusiveness. The program aimed at more effective geographical allocation of labour resources through stimulating re-employment in labour-deficit region is also advancing. The education programs for unemployed have covered more than 200 thousand people in 2015, contributing both to improving employment opportunities and enhancement of human capital. The Government's action plan for increased labour productivity and quality job creation is on track: 76% of its measures have already been implemented (the plan covers 2014-2018); in particular, the measures to improve the system of professional education and to facilitate more productive geographical allocation of labour have proceeded well ahead of initial targets. The program to support sustainability of regional labour markets has also been successful, with 129 thousand people benefiting from new opportunities for employment and intensive vocational training in 2015.



Competition

Russia has already completed two previous measures in competition section: expansion of participation of fast-growing SMEs in government and municipal support programs and amendments to the federal law “On protection of Competition”. The first measure was implemented by adopting the federal law in July 2015, and the second one – in July 2016. The second law is aimed at reduction of regulatory burden on firms with a small market power and toughening the criteria for anti-monopoly inspections. The amendments to the federal law “On protection of Competition” dated 26 June 2006 have come into force on July 3, 2016 # 264-FZ².

One more measure on SMEs access to the procurement of infrastructure monopolies and state-owned companies originally introduced in the Brisbane growth strategy is on track.

Trade

In 2015 Russia has achieved significant progress in implementation of the Roadmaps “Supporting exporters and enhancing access to foreign markets” and “Enhancing Customs Administration”. Concerning the first Roadmap, the main event was the launch of the Russian Export Centre (REC), which provides comprehensive support for exporters through the “single window” mechanism. That includes both financial (providing export credits and interest rate subsidies, export insurance, guarantees) and non-financial (providing information, help in preparing documents for export projects, educational services) support. REC services are provided commission-free in 2015-2016. Financial support was extended to exporters of services.

Concerning enhancing customs administration, the number of documents needed for export/import was further reduced. The number of documents needed for export as of end-2015 stood at 4 and for import – at 6 (as compared to 6 and 8 in 2014 respectively). The time required for customs formalities (for goods with low risk profile) has been reduced on average to 50 minutes for exports and 137 minutes for imports. The time needed to prepare documents for export/import in 2015 decreased to 43 hours as compared to 20 days in 2014. In December 2015 the Government has presented the detailed plan for improving the border infrastructure in ports. Pilot “single window” projects for simplifying border formalities have been launched by the Federal Customs Service in ports and at road and railway border crossings. The larger plan for the “single window” mechanism for all Eurasian Economic Union members is also underway.

The success of the roadmaps has been evident in the dynamics of some of the key indicators of the overarching State Program “Development of external economic activities”. For instance, the number of exporters (in per cent of the 2011 level) reached 155.6% in 2015 versus the initial target of 135%, while the volume of non-commodity exports grew to 116.2% versus the target of 114%.

² In our Antalya adjusted growth strategy we described the substance of this measure in details, but mistakenly announced about its completion by adoption of the Federal law № 275 from October 5, 2015. In fact, the measure was fully implemented only in July 2016.



Other: Improving and Strengthening the Financial System

In addition to price stability, the Bank of Russia also promotes sustainable functioning and development of the financial system. In 2015 the Bank of Russia focused its activity on removing the unviable institutions (93 banks, 96 insurance companies, 21 non-state pension funds) from the financial market, enhancing resilience of the financial sector and development of its infrastructure.

As banks adapted to the after-effects of the shocks of end-2014, the Bank of Russia gradually discontinued the temporary measures easing regulatory standards for the banking sector in 2015, so as to not distort the role of normal market mechanisms and incentives in banking sector operations, including with regard to risk assessment.

In 2015 the Bank of Russia adopted all key Basel standards for banking sector regulation, most of which became effective in January 2016. According to the Regulatory Consistency Assessment Programme (RCAP) of the Basel Committee on Banking Supervision, conducted on the basis of the data, information and materiality computations provided by the Bank of Russia up to end-December 2015, Russia is considered compliant with the minimum Basel capital and liquidity coverage ratio (LCR) standards. All components of both the risk-based capital and LRC regulation are assessed as compliant.

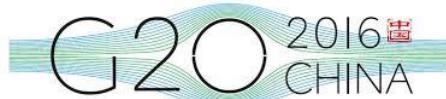
C2. New Structural Reform Measures

Employment

In view of success of the program to support the sustainability of regional labour markets (see C1; it ended in December 2015), and remaining risks to this sustainability, the Government (by the decree #155 dated 29.02.2016) adopted the similar program for 2016. It involves subsidies for regions to promote vocational training and internship and to support employers who engage in import substitution, innovation, human capital development and creating disabled-friendly workplaces by covering some of the wage bill.

Other: R&D

We would like to add a new measure in this section concerning R&D development in Russia. The Government established Agency for Technological Development. The Agency is expected to be fully operational by the end of 2016. It will help enterprises to find innovative technological solutions. It will also support enterprises by providing information, analytical and advisory assistance, conducting transactions and raising funds. The Agency is expected to contribute to development of non-oil and non-gas sectors of the Russian economy, and also to increase the level of technological development of Russia.



Other: Improving and Strengthening the Financial System

In May 2016 the Bank of Russia approved the final version of the Guidelines for the Development of the Russian Financial Market in 2016–2018³. As financial market regulator the Bank of Russia jointly with the Ministry of Finance has for the first time prepared a cross-sectoral document outlining its measures designed for the development of all financial market segments over the mid-term horizon. Taking into account the current economic conditions this document singles out three priorities for the development of the Russian financial market over the planned period:

1. Raising the living standards and quality of life of the Russian population through the improvement of access to financial services and of their quality.
2. Facilitating economic growth through competitive access of Russian economic agents to debt and equity financing and risk hedging instruments.
3. Creating conditions for financial sector growth.

To achieve the above goals, the Bank of Russia together with the Ministry of Finance has outlined several measures to be implemented in the medium term (in 2016–2018) and, partly, over the longer-term horizon. These measures are grouped into the following ten basic areas of the financial market development:

1. Financial consumer protection and financial literacy of the population of the Russian Federation;
2. Improving financial inclusion for households and small and medium-sized businesses;
3. Discouraging malpractice in the financial market;
4. Enhancing investors' attraction for the equity financing of public companies via improved corporate governance;
5. Development of the bond market and syndicated lending market;
6. Improvement of the financial market regulation, including the use of proportional regulation and optimization of regulatory burden on financial market participants;
7. Advanced training for professionals working in the financial market;
8. Incentives to electronic interaction mechanisms in the financial market;
9. International cooperation for the development and implementation of rules regulating the global financial market;
10. Improvement of tools ensuring financial market stability.

In order to implement measures comprising the Guidelines for the Development of the Russian Financial Market in 2016–2018, the Bank of Russia, jointly with the Government of the Russian Federation, prepared the action plan (roadmap) for the medium-term development of the Russian financial market⁴. Moreover, the Bank of Russia has developed and published on its web-site the

³ http://www.cbr.ru/eng/finmarkets/files/development/onrfr_2016-18_e.pdf

⁴ http://www.cbr.ru/finmarkets/files/development/main_events.pdf



roadmap with its detailed activities and objectives for 2016⁵. The same roadmaps will be released for each calendar year. The implementation path and the details of this commitment can be seen in Annex 2.

D. Investment

Most of our commitments contained in the Antalya Investment strategy have been already incorporated in our current Growth strategy; therefore we won't separate them and use the facilitators/safeguard template classification.

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 11 projects to be partly financed through the Sovereign Wealth Fund (SWF). Seven of them, as we stated last year, are to be completed by 2018, and four – in 2019-2024, therefore we include in the commitment in Annex only seven projects which are to be completed in 2018 in order to be able to track their implementation. Most of the projects, which are to be completed by 2018, have been already launched. Companies that are implementing infrastructure projects received in the form of loans and bonds from SWF 545 bln. rubles in 2014-2015, or 56% of reserved financing.

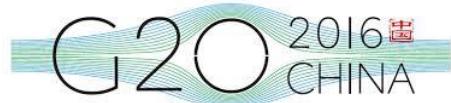
Russia also recognizes the need to take additional policy actions to ensure the efficiency of the public investments. Our goal is to further strengthen the legal framework behind the public investment reporting and audit. As Russian audit system was not entirely ready for the audit of all the projects with total value of 1,5 bln. rubles or higher, in December 2015 there were made special amendments in legislation smoothing implementation path. In 2016 cutoff will amount to 4 bln. rubles, in 2017 – 3 bln. rubles and in 2018 – 1,5 bln. rubles.

To foster investments in SMEs in May 2014 a special joint-stock company Agency for Credit Guarantees was established in Russia. In June 2015 this institution was replaced by SME Development Corporation, which also owns SME Bank, and is functioning as a main coordinator of SME policy in the Russian Federation. The commitment itself remains unchanged.

New measure

We would like to add a new measure in this section concerning increase of available financing for industry. We are planning to increase capital of the Industry Development Fund by additional 20 bln. rubles. This measure is aimed at industry development by granting loans with total amount up to 500 mln. rubles for a period of 5-7 years on the stage of pre-banking financing of industrial enterprises. In 2015 the Fund approved 63 investment projects in industrial sphere with a total amount of 167 bln. rubles (21.4 bln. rubles will be provided by the Fund directly). These projects are expected to create about 10 thousand jobs in following years.

⁵ http://www.cbr.ru/finmarkets/files/development/roadmap_16082016.pdf



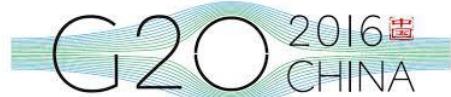
Annex 1. Past commitment – Brisbane and Antalya commitments

Brisbane and Antalya 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. 2 – Public audit is obligatory for the projects financed in the amount of 5 bln. rubles or higher. 3 – Public audit is obligatory for the projects financed in the amount of 4bln. rubles or higher. 4 – Public audit is obligatory for the projects financed in the amount of 3bln. rubles or higher. 5 – Public audit is obligatory for the projects financed in the amount of 1,5 bln. rubles or higher.	1- 2014 2- 2015 3- 2016 4- 2017 5- 2018	1- complete 2- complete 3 – on track
Impact of Measure	In 2015 public audit was conducted for more than 90 projects. Efficiency of the process of the project implementation and control over the state spending are increasing.		

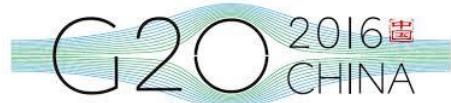
•	Implementation of large public investment projects partially financed through the Sovereign Wealth Fund		
Detailed implementation path	Interim Steps for Implementation	Deadline	Status



and status	1 – approval of the projects 2 – implementation of the projects (7)	1- 2014 2- 2018	1- complete 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.		

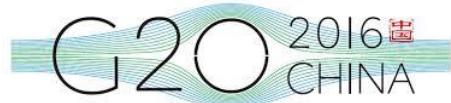
•	SME support: subsidies to SMEs, development of infrastructure for the entrepreneurship support in the regions of the Russian Federation		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	No less than 3% of SMEs are supported annually in 2014-2018	2018	on track. 1) 3% of SMEs are supported in 2014 2) 4.6% of SMEs are supported in 2015.
Impact of Measure	SMEs are contributing to economic growth and job creation.		

•	Agency for Credit Guarantees/ SMEs Corporation		
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. 212 guarantees with total amount of 1,4 bln. rubles were provided in 2014; 3 552 guarantees with total amount of 19,2 bln. rubles were provided in 2015.
Impact of Measure	The expected impact is a creation of up to 99,6 thousand jobs.		



Trade

• The policy action:	Supporting exporters and enhancing access to foreign markets		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane and Antalya growth strategies.		
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 2 – Establishment of Russian Export Centre (REC)	1 – 2014 2 – 2015	completed
	3 –Simplification of tax refunds for exporters	3 – 2015	completed. Status and functions of REC are defined by Federal law #185 (amendments to the Federal law "On development bank" and to the Civil Code) which came into force on 29.06.2015. The centre started working in July 2015. completed (Federal laws # 323 dated 23.11.2015 and # 150 dated 30.05.2016 simplified VAT deductions, Federal laws # 150 dated 8.06.2015 and #101 dated 5.04.2016 simplified application of zero excise tax rates for exporters)
	4 - Streamlining financial and non-financial support for exporters, incl. through "single window" mechanism	4 - 2015	REC is providing both financial (credits, insurance, guarantees) and non-financial (providing information,



			helping to prepare documents for export projects, educational services) support for exporters through the “single window” mechanism
Impact of Measure	Implementation of this measure helps to promote non-commodity exports, especially by SMEs, and thus supports GDP growth and contributes to increasing the share in GDP of high-technology and science-intensive sectors.		

• The policy action:	Enhance customs administration		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane and Antalya growth strategies.		
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	The number of documents for export and import was reduced by 2 in 2015, to 4 for exports and 6 for imports; option to provide only electronic documents to customs authorities and banks has been already implemented.
	2 – Improving infrastructure of border crossings	2 – 2018	Plan for improving border infrastructure in ports adopted in December 2015 (Government order No. 2571-r)
	3 –Creating a “single		



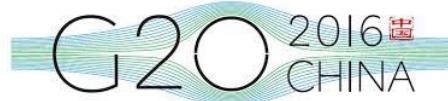
	"window" mechanism at EEU borders	3 –2018	Action Plan of the Eurasian Economic Commission is on track. Pilot projects (e.g. the Federal Customs Service's "Seaport" web portal; single window systems at road and railway border crossings) have been launched.
Impact of Measure	Implementation of the measure will help to improve investment climate in Russia		

Other Non-key Commitments

Investment and Infrastructure

• The policy action:	<i>Public guarantees for "project financing"</i>
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).
Status of Implementation and Impact	On track. In 2015 49 guarantees with total amount of 65.6 bln. rubles were provided.

• The policy action:	Tax relief for newly created industrial enterprises
Implementation path and expected date of implementation	Draft law for lowering the corporate tax rate (federal rate from 2% to 0% and regional rate from 18% up to 10% at the regions' discretion) was cleared by the Government in April 2015. Lower rates depend on the size and the period of investment and apply until investment expenses are fully recouped.
Status of Implementation and	Completed. Corresponding law was adopted in May 2016 (Federal law N144-FZ as of 23 May 2016)



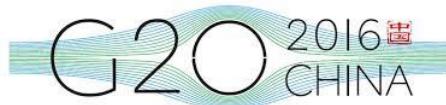
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• The policy action:	Tax relief for small enterprises
Implementation path and expected date of implementation	Regions will be given the right to reduce tax rates for taxpayers using simplified system for tax on income from 6% to 1% and to reduce tax rates for taxpayers using imputed tax on income from 15% to 7.5%. Corresponding draft law was presented for the Parliament consideration in March 2015. The law was adopted in July 2015 and has come into force since January 2016.
Status of Implementation and Impact	Completed. The measure is under monitoring.

• The policy action:	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. In general, there are more than 1300 PPP projects on various stages of implementation, including 15 on federal, 190 on regional and 1100 at municipal level. The bulk of the projects are concessions (around 85 %). Implementation will allow fostering private investment in infrastructure and attracting additional sources of financing.

Employment

• The policy action:	Supporting sustainability of regional labour markets
Implementation path and expected date of implementation	In 2015 extra funding was provided to the regions to support sustainability of regional labour markets. This measure was adopted by the Decree of the Government of the Russian Federation as of January 22, 2015 # 35.
Status of Implementation and	129 thousand people in 18 regions benefited from the program in 2015 (by getting employment and receiving intensive vocational



Impact	training)
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The policy action:	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).
Status of Implementation and Impact	<p>76% of the action plan measures have already been implemented. Numerical targets for indicators of professional education reform were surpassed in 2015:</p> <ul style="list-style-type: none"> # of professional standards: 804 vs 800 # of federal standards of professional education: 701 vs 250 # of accredited programs of professional education: 997 vs 150 <p>Targets for improving skills and attracting labour to priority employment territories at the regional level have also been exceeded:</p> <ul style="list-style-type: none"> # of regions holding “World Skills Russia” excellence in profession contests: 61 vs 35 # of regions with pilot projects for attracting labour: 12 vs 4 <p>The web portal “Work in Russia” aimed at those seeking to find jobs in other localities was launched in July 2015. About 10 million people browsed it in 2015 against the target of 0.5 million.</p>

The policy action:	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	The number of jobs equipped for disabled created in 2015 is 14.6 thousand (the planned figure is 14.2 thousand). Overall, the employment level of disabled has increased by 5.7 p.p. in 2013-2015 and has reached 42.4%.



• The policy action:	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	In 2015 206 thousand unemployed were involved into education programs; 6.3 thousand 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 2015 the share of SME's in the procurement items provision for the infrastructure monopolies and state-owned companies amounted to 13%.

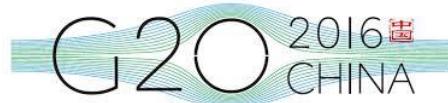
• The policy action:	Optimizing anti-monopoly regulations
Implementation path and expected date of implementation	Amendments to the federal law “On protection of Competition”: <ul style="list-style-type: none"> - Immunity from anti-monopoly prosecution for the firms with revenue less than 400 mln. rubles and agreements between firms with total revenue less than 400 mln. rubles; - Company with a market share less than 35% can no longer be declared dominant.
Status of Implementation and Impact	Completed. The law was adopted in July 2016 (Federal law N 264-FZ as of 3 July 2016)



• The policy action:	SME support: expansion of participation of fast-growing SMEs in government and municipal support programs
Implementation path and expected date of implementation	Adoption of draft Government Decree «On limits of revenues from sales of goods and services for each category of small and medium enterprises»
Status of Implementation and Impact	Completed. Corresponding law passed in July 2015. In 2015 support was provided for about 140 000 entities and individuals (170 000 in 2014), with a total amount of 19.4 bln rubles (18.5 bln rubles in 2014).

Trade

• The policy action:	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 2014-2015, with key quantitative indicators exceeding the targets (data as of 2015): Number of exporters, %, 2011=100%: 155.6% vs target of 135%; Non-commodity exports volume, %, 2011=100%: 116.2% vs 114%; Share of machinery and vehicles in exports to CIS countries (at 2011 prices): 17.1% vs 14.1%; Share of APEC countries in exports: 22.9% vs 19.7%.



Annex 2. New and Adjusted Policy Commitments since Antalya

Macroeconomic policy responses

• The adjusted policy action:	Inflation targeting implementation		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane/Antalya growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 - to lower inflation to 4% 2 - to keep inflation close to 4%	1 - in 2017 2 - beyond 2017	
Impact of Measure	<p>In the beginning of 2016 inflation slowdown and inflation expectations decline are observed. The annual consumer price growth is down to 7,1% as of 22 August 2016 from 12,9% in December 2015. In end-May 2016 the Bank of Russia predicts the annual inflation to stand at about 5% in May 2017, to reach the 4% target in late 2017.</p> <p>The start of 2016 saw a decline in the exchange rate pass-through effect signalling the lower inflation expectations and more trust in inflation targeting strategy of the Bank of Russia.</p>		

Investment and Infrastructure

• The new policy action:	Capital increase of the Industry Development Fund
Implementation path and expected date of implementation	In 2016 Industry Development Fund will be capitalized by 20 bln. rubles.
What indicator(s) will be used to measure progress?	Additional capital Increase of the Industry Development Fund
Explanation of additionality or	Industry development Fund contributes to industry development



adjustment (where relevant)	by granting loans on the stage of pre-banking financing of industrial enterprises. In 2015 this Fund approved 63 investment projects in industrial sphere with a total amount of 167 bln. rubles (21.4 bln. rubles will be provided by the Fund directly)
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Employment

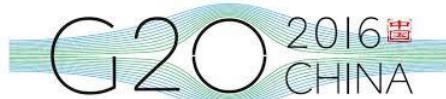
• The new policy action:	Supporting sustainability of regional labour markets
Implementation path and expected date of implementation	In 2016 extra funding will be provided to the regions to support sustainability of regional labour markets. This measure was adopted by the Decree of the Government of the Russian Federation as of February 29, 2016 # 155.
What indicator(s) will be used to measure progress?	Number of regions supported
Explanation of additionality or adjustment (where relevant)	Continuation of the successful measure adopted by the Decree of the Government of the Russian Federation as of January 22, 2015 #35 (which covered only 2015)

Other

• The new policy action:	Establishment of Agency for Technological Development
Implementation path and expected date of implementation	Agency was set up in May 2016 (Decree of the Government of the Russian Federation as of May 26, 2016 #1017-p). It will help enterprises to find innovative technological solutions. It will support enterprises by providing information, analytical and advisory assistance, transaction support and fund raising.
What indicator(s) will be used to measure progress?	Adoption of the law establishing the Agency
Explanation of additionality or adjustment (where relevant)	Agency is expected to contribute to development of non-oil and gas sectors of the Russian economy, and also to increase of the level of technological development of Russia.



• The new policy action:	Improving and strengthening the financial system
Implementation path and expected date of implementation	<p>In end-2015 the Bank of Russia provided the draft of the Guidelines for the Development of the Russian Financial Market in 2016–2018.</p> <p>In January–February 2016 the Bank of Russia held discussions with financial market participants to get feedback.</p> <p>In March 2016 the document was in general approved by the Government.</p> <p>In May 2016 the Bank of Russia approved the final version of the Guidelines for the Development of the Russian Financial Market in 2016–2018. In June 2016 the Bank of Russia, jointly with the Ministry of Finance and other interested federal executive bodies, prepared the action plan (roadmap) for the medium-term development of the Russian financial market, which was signed by the First Deputy Prime Minister Igor Shuvalov.</p> <p>The Bank of Russia has developed and published on its web-site the roadmap with its detailed activities and objectives for 2016. The same roadmaps will be released for each calendar year.</p>
What indicator(s) will be used to measure progress?	<p>The bunch of 13 indicators with targets to assess the effectiveness of the planned activities is included in the Guidelines for the Development of the Russian Financial Market in 2016–2018. Among those indicators are the Index of Affordability of financial services for business (World Economic Forum) and The strength of minority investor protection index (The World Bank, Doing Business).</p>
Explanation of additionality or adjustment (where relevant)	<p>The gap between the capabilities of the financial market and the needs of the economy will be closed by improving access to resources that specifically depends on the quality of competitive environment, availability of relevant infrastructure and financial market intermediaries and installing of regulatory and legal conditions required for the emergence of special-purpose financial instruments, including risks hedging ones.</p> <p>The cost of financing will be reduced by labor productivity growth in the financial sector, elimination of excessive regulatory burden, development of risk assessment infrastructure, along with the refinement of dispute resolution mechanisms.</p>



ANNEX 3: PAST COMMITMENTS – ST. PETERSBURG FISCAL 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. As of January, 1 2016 the debt-to-GDP ratio was 13,6% of GDP for federal government debt and around 46,5 % of GDP for total external debt (both public and private sector).
- Maintenance of tight fiscal policy and moderate budget deficit projected for the medium-term run;
- Modification of fiscal rule in accordance with new levels of federal budget revenues;
- Ensuring sustainability of the budget system and maintenance of sufficient level of fiscal reserves (Reserve Fund and National Wealth Fund);
- Enhanced monitoring of contingent liabilities including direct (e.g. guarantees) and indirect (state-owned enterprises' borrowing);

In 2013-2015 the Government has implemented a number of important initiatives in liberalization of local debt market, modernization of its infrastructure and etc. Domestic government bond market in Russia now has all characteristics of a modern market. In particular, the following initiatives have been implemented:

- provision of direct access to the OFZ market for non-residents through accounts in the international depositary clearing systems Euroclear and Clearstream;
- initial offering and secondary trading of sovereign bonds in a unified market place at the Moscow Exchange together with corporate bonds;
- OFZs secondary trading in “T+1”;
- over-the-counter trading of public bonds launched.

The Russian Federation will continue to take measures aimed at creating a stable source of financing the federal budget deficit, reducing service costs, minimization of public debt risks and implement the following measures:

1. The priority of domestic borrowings for the federal budget deficit funding.
2. Prudent domestic borrowing policy conduction. To maximize borrowing program execution it is intended to offer diversified set of instruments (fixed-coupon, floating-coupon and inflation-linked bonds) with different maturities. This will help to expand investors' base and to increase the government bond market stability.



The priority is to borrow by issuing medium-term and long-term fixed coupon bonds. Bonds with benchmark amount, bullet repayment and standard tenors will be issued on a regular basis.

In 2016 the Government of the Russian Federation is planning to prepare special type of government bonds for individuals.

3. Optimization of the term structure of the liabilities portfolio with the target of reaching duration of 5 years with the aim to keep the refinancing risk low.

4. Pro-active liability management policy execution on a regular basis to affect the public debt size and structure, including the exchange of the off-the-run non-liquid non-standard government bonds with the on-the-run benchmark bonds. Exchange of the non-liquid bonds in 2015 resulted in the reduction of public debt and added liquidity to the secondary market.

5. Open dialogue with three major international rating agencies aimed at supporting Russia's sovereign credit ratings and building the base to increase the ratings in the medium-term.

6. Further infrastructural improvements of the local public debt market towards creating more comfortable conditions for investors.

b. Debt-to-GDP ratio objective

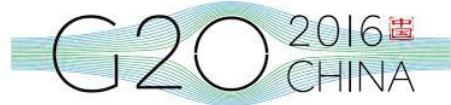
While the Russian Federation does not have firm legally-obliged limit on debt-to-GDP ratio, the medium term debt policy envisages an indicative sovereign debt-to-GDP “threshold” considered at the level of 20%.

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.

1. Medium-term projections:

Russia's medium-term indicators for the debt-to-GDP ratio and the federal budget deficit are the following:

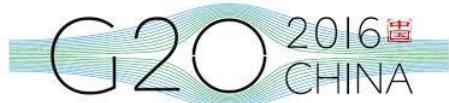
	<i>Fact</i>	<i>Projections</i>		
		2015	2016	2017
Government Debt / GDP, %	13,6	15,7	n/a	n/a
Deficit / GDP, %	-2,4	-2,8	n/a	n/a



2. 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		
	2015	2016	2017	2018
real GDP growth	-3,7	-0,2	0,8	n/a
nominal GDP growth	3,7	4,7	6,1	n/a
Medium-term OFZ yield, annual percentage	11,6	9,0	8,5	8,0



Annex 4: Pre-Brisbane Commitments

Commitment	
Structural reform/monetary & exchange rate policies 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 The 2010 Seoul Multi-Year Action Plan
Rationale for carrying forward	<p><i>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.</i></p>
Update on Progress	<p><i>In July 2015, the Financial Market SRO Act (№ 223-FZ of 13 July, 2015) passed. The law assumes the creation of self-regulatory organizations (SRO) in all segments of the financial market, except the banking sector, i.e. it will extend to brokers, dealers and managers, depositories and specialized depositories, registrars, non-governmental pension funds, joint-stock and mutual funds, management companies of investment funds, insurance companies, mutual insurance companies, microfinance institutions, etc.</i></p> <p><i>The membership in SRO will be obligatory. Supervision over the activity of SRO will be provided by the Central Bank of the RF, which will have the right to impose fines, to send a demand of the replacement of the management of SRO, to assign and revoke the status of these organizations. At the same time the Central Bank is allowed to give self-regulatory organizations a number of powers of regulation and supervision.</i></p> <p><i>Self-regulatory organizations in the field of financial market are given the right to protect and represent the interests of their members in the Central Bank of the RF, federal executive bodies, local executive bodies, courts, international organizations. The development and adoption of a code of professional ethics, performance standards fall also within the scope of their activities.</i></p> <p><i>Federal Law № 42-FZ dated 4 March 2015 ("On Amendments to</i></p>



	<p><i>Part I of the Civil Code of the Russian Federation") was signed by the President of the Russian Federation on 8 March 2015 and is aimed at amending certain provisions of the Civil Code in relation to the law of obligations and contract law. The Law took effect on 1 June 2015. The amendments introduce new principles for structuring financial and investment transactions, including indemnity, representations and warranties, and waivers, formerly unavailable in Russia.</i></p> <p><i>In February 2015, the Bank of Russia signed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU), soon after the application of the Bank of Russia to join the IOSCO MMoU was approved. Thus the Bank of Russia has become the 105th full participant of the information exchange with other financial market regulatory authorities, which are signatories to the IOSCO MMoU. Joining the IOSCO MMoU enables the Bank of Russia to maintain effective interaction with IOSCO, it contributes to the information exchange on the key issues of financial market regulation and oversight.</i></p>
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Commitment	
Structural reform/monetary & exchange rate policies	Action Plan
Regulation of systemically important financial institutions (D-SIBs, D-SIIs and D-NBNIs).	<i>The 2010 Seoul Multi-Year Action Plan</i>
Rationale for carrying forward	<i>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.</i>
Update on Progress	<i>The Bank of Russia published methodology for D-SIBs identification – Ordinance No. 3737-U as of 22 July, 2015 «On Methodology for Defining Systemically Important Credit Financial Institutions». This methodology is based on BCBS framework and take into account peculiarities of national financial markets. Under</i>

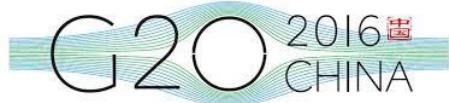


this Ordinance Russian D-SIBs (10 banks) were identified. List of D-SIBs approved by the Bank of Russia was disclosed on the Bank of Russia official web-site on 20th of October 2015.

The following policy measures were taken:

- Systemically Important Banks Supervision Department which is in charge of direct supervision of D-SIBs was created.
- Additional prudential requirements on consolidated level are applied: full application of Basel III for Russian D-SIBs (capital adequacy surcharge for systemic importance, LCR).

The Bank of Russia also issued Ordinance of 25 July, 2014 No. 3341-U "On the Recognition of Financial Market Infrastructures as Systemically Important" which sets criteria for the designation of financial market infrastructures as systemically important. Federal Law «On Amendments to Certain Legal Acts of the Russian Federation» strengthened the regulation of bank holding companies.



Annex 5. Key Economic Indicators

Please update table of key indicators as follows:

	Key Indicators**					
	2015	2016	2017	2018	2019	2020
I. Macroeconomic Indicators						
Real GDP (% yoy)	-3,7	-0,2	0,8			
Nominal GDP (% yoy)	3,7	4,7	6,1			
Output Gap (% of GDP)	N/A	N/A	N/A			
Inflation (%, yoy, end of period)	12,9	6,5	4,9			
Fiscal Balance (% of GDP)*	-2,4	-2,8	N/A			
Unemployment (%)	5,8	5,8	5,8			
Savings (% of GDP)	23,7	23,4	24,2			
Investment (% of GDP)	18,0	17,7	17,7			
Total Fixed Capital Investment (% GDP)	20,7	21,9	23,1			
Current Account Balance (% of GDP)	5,3	3,4	2,9			

*Projections for Federal Budget for 2017 are not yet available.

The scenario assumes average oil price is \$40/barrel in both 2016 and 2017.

** Forecast of the Ministry of Economic Development (as of May 2016)