



State Policy Developments

The Ministry of Economic Development elaborated the draft roadmap on boosting energy efficiency of the Russian economy

The state has reportedly elaborated the draft roadmap that shapes the key directions of the state efforts on increasing energy efficiency of the Russian economy until 2019.

The roadmap assumes a number of actions aimed at lifting administrative barriers for the energy service companies (ESCOs) and development of IT infrastructure to serve their needs, including creation of Internet portal on energy service contracts.

Substantial part of the plan is dedicated to provision of clear allocation of responsibility on support of energy efficiency between the Russian bodies of executive power with one assigned coordinating and supervising body.

Another direction of the state's efforts is creation of incentives for the energy efficiency. Specifically, the roadmap assumes changes in guidelines for calculation of energy losses that are used for the purposes of taxation and tariff policy. Besides that, the list of possible financing schemes and instruments used for implementation of ESCO projects in Russia is supposed to be extended.

In the coming months the draft roadmap will be discussed by the Ministry of Economic Development, the Ministry of Energy, the Ministry of Construction and Public Utilities and other involved state bodies to be presented to the Russian Government for the final approval.

The draft version of Complex Plan on Increasing Energy Efficiency of Economy of the Russian Federation (Description): [Original](#) (Rus)| [Google Translate](#)

The draft version of Complex Plan on Increasing Energy Efficiency of Economy of the Russian Federation (Roadmap): [Original](#) (Rus)| [Google Translate](#)

Comments to the draft of the roadmap at energoatlas.ru: [Original](#) (Rus)| [Google Translate](#)

The Ministry of Trade and Industry proposed to improve the mechanism of so-called "special investment contracts" (SPIKs)

The "special investment contract" scheme was introduced in July 2015 by amendments to the federal law #488-FZ "On Industrial Policy in the Russian Federation" (article #16).

The contracts assume tax and other benefits for an investor in the Russian industry (including 0% corporate tax rate, possibility to deliver products in the course of state purchases and simplified procedure of receiving state subsidies), and are concluded for the period of up to 10 years. The parties are an investor and the Russian

Federation or a subject of the Federation, but a contract shall be approved by the special commission under the Ministry of Trade and Industry. The total investment volumes shall not be less than RUR 750 million (approx. USD 13.3 million). By this time, eight SPIKs have been signed (including Mazda-Sollers) and about 20 applications are being considered. The Russian regions are granted the right to change the requirements for SPIKs in case they act as a party in appropriate agreements.

On May 23, 2017 Kommersant newspaper reported that the Ministry of Trade and Industry proposed more adjustments facilitating the use of SPIKs by investors. Specifically, the following adjustments are being considered:

- Introduction of possibility of separated accounting of revenue subject to tax privileges under SPIK (presently the tax privileges are granted only in case 90% of revenue of a legal entity comes from products manufactured under SPIK);
- Consideration of investment in intellectual property while calculating total investment volume;
- Decrease in investment requirements in the selected sectors of the economy;
- Partial deduction of R&D expenses when calculating income before tax.

The proposals of the Ministry of Trade and Industry are to be discussed with the Ministry of Finance before approval by the Russian Government.

Dedicated article by Kommersant newspaper: [Original](#) (Rus)| [Google Translate](#)

The Ministry of Justice elaborated "one in, two out" regulatory scheme for the Russian Government

"One in, two out" regulatory scheme assumes that any additional regulation under consideration by the government can only be approved if two existing regulations are stripped away. The Russian implementation of the scheme envisages that when a new regulation for the business is introduced, the cost of compliance by the business shall be twice lower than the cost of compliance of simultaneously abolished regulations.

On May 23, 2017 Kommersant newspaper reported that the Ministry of Justice presented the draft resolution of the Government on introduction of "one in, two out" scheme elaborated in cooperation with the Ministry of Economic Development.

The document assumes that the Ministry of Economic Development will be responsible for assessment of new regulatory acts on compliance with "one in, two out" scheme, while the Ministry of Justice is supposed to freeze their consideration by the Government in case of non-compliance. The Russian Prime Minister and Deputy Prime Minister will be capable of overcoming the rule in extraordinary cases. The scheme will not be applied to the regulations introduced by the Russian President, the bills introduced by delegates of the State Duma and regulations introduced by the regional state bodies.

On May 19, 2017 the draft resolution was approved by the specialized committee of the Government. A part of the resolution's articles is supposed to be implemented starting



from Autumn 2017, while the remaining part will be presumably introduced in Spring 2018.

It is noticeable that “one in, two out” scheme was introduced in 2016 in Russia for regulatory acts with high level of regulatory impact, but the scheme has not been working in fact due to methodological problems and disregard from the side of the state bodies.

Dedicated article by Kommersant newspaper: [Original \(Rus\)](#) | [Google Translate](#)

The bill on prohibition of anonymity in messengers is provided for consideration to the State Duma

On May 24, 2017 the draft amendments to the federal law #149-FZ “On Information, Information Technologies and Information Protection” were provided for consideration to [the State Duma](#) by representatives of its several factions.

The proposed amendments introduce the definition of *organizer of messages' exchange* and oblige organizers to grant access to their messaging systems solely to the users that are properly identified in accordance with regulations set by the state (i.e. based on ID granted after making agreement with a user).

The organizers will also be forced to *provide technical means* for (1) refusal of receiving messages from other users, (2) delivery of messages from the state bodies and (3) suspension of delivery of messages that contain information distributed with infringements of the Russian legislation.

The draft law and explanatory note at web site of the State Duma: : [Original \(Rus\)](#)

The Government delivered amendments to the federal budget for 2017 to the State Duma for consideration

On May 26, 2017 the Russian Government delivered the amendments to the law on the federal budget for 2017 aiming to correct its key indicators.

The amendments that resulted from improving macroeconomic conditions in January-April 2017 assume the Russian federal budget deficit will be at 2.1% in 2017 (3.17% under previous projections).

- The federal budget revenues are expected at RUR 14 678.9 billion primarily due to increasing share of revenues from the oil and gas sector (RUR 13487.6 previously).
- The federal budget outlays are expected at RUR 16 602.6 billion (RUR 16 240.8 previously).

Besides this, the amendments envisage re-distribution of sums directed for the budgetary outlays.

Comments on delivery of the amendments to the State Duma at web site of the Russian Government: [Original \(Rus\)](#) | [Google Translate](#)

The draft federal law "On Amendments to the Federal Law “On the Federal Budget for 2017 and the Planning Period 2018 and 2019” at web site of the State Duma: [Original \(Rus\)](#)

Business Environment Developments

Russia and Turkey sign the statement on lifting trade restrictions

On May 22, 2017 the statement on removal of trade restrictions between Russia and Turkey was signed by Deputy Prime Ministers of both countries (Mr. Arkady Dvorkovich and Mr. Mehmet Simsek, respectively). The Prime Ministers (Mr. Dmitry Medvedev and Mr. Binali Yildirim, respectively) also attended the ceremony, which took place in the course of the summit of the Organization of the Black Sea Economic Cooperation (BSEC). According to results on preliminary talks that took place days before signing, some limitations on imports of tomatoes from Turkey are likely to stay in place, while the ban of the Russian grain exports to Turkey is supposed to be fully lifted.

Press release at web site of the Russian Government: [Original \(Rus\)](#) | [Google Translate](#)

The Russian Government lifts the ban on imports of salt and seawater comprising biologically active food supplements

On May 23, 2017 the Russian Government issued resolution on lifting sanctions related to imports of salt and seawater comprising biologically active food supplements. The imports still require approval of the Ministry of the Trade and Industry.

The dedicated resolution at the portal of the Russian Legislative Acts: [Original \(Rus\)](#)

The Ministry of Finance appointed VTB Capital Plc an organizer for the next Eurobond placement in 2017

On May 23, 2017 the Ministry of Finance announced the result of assessment of offers of investment banks on the services for the next Eurobond placement. [VTB Capital Plc](#) was selected an agent bank with other authorised tender participants being [Sberbank CIB](#) and [GaspromBank](#). The first placement in 2017 is likely to take place in May or June.

Announcement at web site of the Ministry of Finance: [Original \(Rus\)](#) | [Google Translate](#)

Russian exporters evidence introduction of new barriers on wheat exports to Turkey

On May 24, 2017 Vedomosti newspaper reported on introduction of new limitations of the Russian wheat exports to Turkey assuming the quota of 20-25% for the share of wheat imports licenses for in-country processing assigned to the Russian exporters. This type of license allows for the duty-free delivery of wheat to Turkey for domestic processing and further exports. The normal imports duty for wheat in Turkey is presently 130%. The probable reason for introduction of the quota after [signing the joint statement on lifting trade restrictions](#) is to force Russia lifting remaining restrictions on tomato imports from Turkey.

The share of Turkey in total Russian wheat exports is estimated at 12-13%. The share of Turkish flour produced using the Russian wheat is estimated at 70-75%.



Dedicated article by Vedomosti newspaper: [Original](#) (Rus)| [Google Translate](#)

Russian sunflower oil exports to Turkey are subject to quotas

On May 24, 2017 Mr. Mikhail Maltsev, the head of [the Russian Fats and Oils Union](#), commented to the mass media that the Russian exporters of sunflower oil faced the quotas when applying for imports licenses (decisions on 15-30% of license applications are positive). This news followed the [information on the Russian wheat exports restrictions to Turkey](#).

The share of Turkey in the Russian sunflower oil exports exceeds 50%.

Dedicated article by Kommersant newspaper: [Original](#) (Rus)| [Google Translate](#)

The Central Bank considers the mass cleanup of the Russian financial sector to be over

On May 24, 2017 Mr. Sergey Shvetsov, the First Deputy Head of the Russian Central Bank, during his speech at [the State Duma](#) commented that the year 2016 was the last year of the mass cleanup of the financial sector. Referring to Mr. Shvetsov, the sector is presently in satisfactory state, and there shall be no multiple cases of licenses' revoking in the coming period. During 2016, the Central Bank revoked licenses from 97 Russian banks, 17 private pension funds and 69 insurance companies.

Dedicated article by 1Prime news agency: [Original](#) (Rus)| [Google Translate](#)

Ukraine considers freezing passenger railroad traffic over the Russian border

On May 25, 2017 Kommersant newspaper reported that Ukraine plans freezing passenger railroad traffic over the border with Russia starting from July 1, 2017. These plans follow decision on blocking access to the Russian social networks and Internet / media companies made last week (see [Newsletter for May 15-21](#)) and decision on freezing railroad cargo traffic.

Dedicated article by Kommersant newspaper: [Original](#) (Rus)| [Google Translate](#)

The major oil producers reportedly extended the oil production cut for 9 months

On May 25, 2017 the mass media reported that the major oil producers represented by OPEC and 11 non-OPEC countries, including Russia, agreed to extend the oil cut agreement until March 31, 2018 in the course of OPEC meeting in Vienna. The volumes of cuts will remain the same as under the previous agreement (1.8 million barrels a day), while Libya and Nigeria will be freed from the production decrease as before. The cut is likely to benefit to the Russian economy growth in the short-term due to retaining oil price at relatively high level, but in the medium term it will also put the oil exporters under increasing pressure from the side of the U.S. shale oil producers that will have higher margins and more incentives for development and increasing production volumes.

Dedicated article by Bloomberg: [Original](#) (Eng)

The Federal Customs Service adopted the development program until 2020 envisaging more convenient and transparent customs procedures

On May 25, 2017 the Board of the Federal Customs Service adopted the program of development until 2020 to be further delivered to the Ministry of Finance for approval (presumably until July 1, 2017).

The program assumes a number of actions aimed at simplifying customs procedures and making them more transparent for the business ("10 Steps Towards the Business"). That is supposed to be done primarily by introduction of new IT systems providing for extensive automation of business processes and transferring nearly all communications between the Service and the companies to electronic form, including electronic customs declarations. The share of electronic customs declarations shall increase from 16% in 2016 to 95% in 2020. The share of automatically registered imports and exports declarations is planned at 99% in 2020 (2016: 35.7% and 1.6%, correspondingly).

In order to facilitate automation of customs procedures, the Service proposed to create a network of Centres of Electronic Declaration with own storage capacity that are designated to replace the privately owned temporary storage facilities.

Besides that, the Service is being introducing the risk management approach. All participants of foreign trade activities are to be divided into 3 groups depending on the risk level. The participants from the whitelist, which presently covers 8% of players involved in foreign trade, will benefit from simplified procedure allowing for selective control. The share of low risk declarations is projected to increase from 44% in 2016 to 80% in 2020.

Dedicated press-release by the Federal Customs Service: [Original](#) (Rus)| [Google Translate](#)

Dedicated article by Kommersant newspaper: [Original](#) (Rus)| [Google Translate](#)

The Moscow Government prepares to approve a new set of preferences for investors

On May 26, 2017 Mr. Sergey Sobyenin, the Mayor of the city of Moscow, commented to the press that the government is going to approve a number of new preferences for investors and businesses operating in Moscow, including:

- Compensation of 50% of costs related to technological connection of new industrial enterprises to engineering networks;
- Reduction of the corporate tax rate to 10% for new prioritized investment projects (normal rate: 20%);
- Compensation of 15% of costs on purchase of equipment for high-tech companies located in local technoparks.

Referring to Mr. Sobyenin, the set of preferences is to be approved and published "in the nearest time".

Dedicated article by 1Prime news agency: [Original](#) (Rus)| [Google Translate](#)



National Statistics

VneshEconomBank estimated the Russian GDP growth at 1.5% in April 2017

On May 25, 2017 VneshEconomBank (VEB) released own estimates of [the Russian GDP developments](#) for April 2017. The GDP growth was estimated at +1.5% as compared to April 2016 and +0.4% as compared to March 2017 (seasonally adjusted). The GDP in current prices was estimated at RUR 7 220 billion. VEB also revised data for January-March 2017 to comply with estimates released by the Russian State Statistics Service (+0.5% growth for 1Q 2017).

Russian GDP indices by VEB: [Original](#) (Rus) | [Google Translate](#)

The Russian foreign trade turnover increased by 32.1% in 1Q 2017

On May 26, 2017 the Russian State Statistics Service released data on the foreign trade in 1Q 2017. The Russian foreign trade turnover was estimated at USD 130.2 billion (132.1% to 1Q 2016). The exports volumes amounted to USD 82.2 billion (136% to 1Q 2016), while the imports volumes were at USD 48 billion (125.9% to 1Q 2016).

Message by the Russian State Statistics Service: [Original](#) (Rus) | [Google Translate](#)

Reports and Forecasts on Russia Traced by Factsphere

Date	Publisher	Document name	URL
22.05.2017	Centre for Development of Higher School of Economics	Exports and Imports of Goods Monthly (seasonally adjusted data), March 2017	Original (Rus)
22.05.2017	The Center for Macroeconomic Analysis and Short-Term Forecasting	Monitoring and analysis of technological development of Russia and the world (#10, 1Q 2017)	Original (Rus) Google Translate
22.05.2017	The World Bank	Russia Monthly Economic Developments. May 2017	Original (Eng)
22.05.2017	Euler Hermes	Retail in Russia: the capabilities and expectations mismatch	Original (Eng)
23.05.2017	Analytical Credit Rating Agency (ACRA)	Russian private pension system 2020 outlook	Original (Eng)
23.05.2017	Institute of the National Economy Forecasting of the Russian Academy of Sciences	Assessment of the results of the Russian industry operations in April 2017	Original (Rus) Google Translate
23.05.2017	The Analytical Centre for the Government of the Russian Federation	Ranking of effectiveness of regional state purchases 2016	Original (Rus)
23.05.2017	The World Bank	Russia Economic Report #37. From Recession to Recovery.	Original (Eng)
23.05.2017	ROMIR	RUR 83 600 per month. Survey on family budgets in Russia.	Original (Rus) Google Translate
23.05.2017	Institute of the National Economy Forecasting of the Russian Academy of Sciences	Assessment of the results of the Russian industry operations in April 2017	Original (Rus) Google Translate
23.05.2017	Association of European Businesses	Results of the AEB Annual Survey "Strategies and Prospects for European Companies in Russia"	Original (Eng)
24.05.2017	Eurasian Development Bank	Macroeconomic review. May 2017	Original (Rus)
24.05.2017	Levada Center	Approval ratings for May 2017 (1 600 respondents)	Original (Rus) Google Translate
24.05.2017	BOFIT	BOFIT Weekly	Original (Eng)
25.05.2017	ROMIR	Coffee and Milk Index for Russia for April 2017 (survey based on ROMIR scan panel)	Original (Rus) Google Translate
24.05.2017	The Russian Central Bank	Balance of payments, international investment position and external debt of Russia in 2016	Original (Rus)
25.05.2017	The Center for Macroeconomic Analysis and Short-Term Forecasting	Russian economy trends, April 2017	Original (Rus) Google Translate
25.05.2017	Institute of the National Economy Forecasting of the Russian Academy of Sciences	Social and economic status of population: continuing crisis or new reality?	Original (Rus)
26.05.2017	The Analytical Centre for the Government of the Russian Federation	The currency risk from carry trade may comprise substantial threat for economic growth in Russia (study)	Original (Rus)
26.05.2017	The Russian Central Bank	Survey on commodities exchange market in 2016.	Original (Rus)
26.05.2017	Commerzbank	Week in Focus	Original (Eng)

Statistical Publications Traced by Factsphere

Date	Publisher	Document name	URL
22.05.2017	The Russian Ministry of Finance	Data on issue of securities in 2017	Original (Rus) Google Translate
22.05.2017	The Russian Ministry of Finance	The volume and structure of sub-sovereign debt and municipal debt of the Russian Federation (as of May 1, 2017)	Original (Eng)
22.05.2017	The Federal Customs Service	Data on imports of goods from abroad (excluding CIS) in April 2017	Original (Rus) Google Translate
22.05.2017	The Russian Central Bank	Foreign Direct Investment in Russia by industry (2010-2016)	Original (Eng)
22.05.2017	The Russian Central Bank	Inward FDI in the Russian Federation by instruments and geographical allocation	Original (Eng)
22.05.2017	The Russian Central Bank	Outward FDI by Russian residents by instruments and geographical allocation	Original (Eng)



Date	Publisher	Document name	URL
22.05.2017	The Russian State Statistics Service	Information on social and economic status of Russia in January-April 2017	Original (Rus)
23.05.2017	The Russian State Statistics Service	Main Economic and Social Indicators, April 2017	Original (Eng)
23.05.2017	The Russian Ministry of Finance	Weekly data on budget funds in deposits, public budget loans and REPO	Original (Eng)
24.05.2017	The Russian Central Bank	FDI in the Russian Federation by geographic and economic zones (2007-2016)	Original (Eng)
24.05.2017	The Russian Central Bank	Breakdown of FDI in the Russian Federation by type (2006-2016)	Original (Eng)
24.05.2017	The Russian State Statistics Service	Bulletin: Outstanding Debt Due to the Employees by the Employers (Wages) as of May 1, 2017	Original (Rus, rar)
24.05.2017	The Russian State Statistics Service	On CPI estimate for May 16-22, 2017	Original (Rus) Google Translate
24.05.2017	The Russian State Statistics Service	Social and economic development of the Russian Federal Districts in 1Q 2017 (set of archives)	Original (Rus) Google Translate
25.05.2017	The Russian Central Bank	International reserves of the Russian Federation (weekly)	Original (Eng)
25.05.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for May 15-21, 2017	Original (Rus) Google Translate
25.05.2017	VneshEconBank (VEB)	GDP indices by VneshEconBank. April 2017	Original (Rus) Google Translate
26.05.2017	The Russian State Statistics Service	CPI in Russia and selected foreign countries in April 2017	Original (Rus) Google Translate
26.05.2017	The Russian State Statistics Service	On foreign trade in 1Q 2017	Original (Rus) Google Translate
26.05.2017	The Russian State Statistics Service	On the state of the oil market in 1Q 2017	Original (Rus) Google Translate



Contact Information

Mr. Dmitry Efremov, Director & Project Lead
e-mail: dmitry.efremov@factosphere.com

Ms. Liudmila Novikova, Managing Director
e-mail: liudmila.novikova@factosphere.com

Ms. Elizaveta Markovskaya, Head of Consulting
e-mail: elizaveta.markovskaya@factosphere.com

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