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**TRENDS AND OUTLOOKS**

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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 43th issue. This publication provides a detailed analysis of the most significant trends in the Russian economy, global trends in the social and economic development. The work contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The work is based on an extensive array of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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## **6.6. Russia in the system of multilateral cooperation in 2021:**

In 2021, the US, the European Union and the UK consolidated their efforts to bolster their influence in international economic institutions. In the context of the increased importance of digitalization and the climate change agenda, they sought to secure the leadership in establishing new rules of global climate change management and in the collective regulatory framework for digital economy. Amidst this growing competition and geopolitical tensions, the ongoing pandemic and uneven economic recovery, the efficacy of multilateral cooperation has become an important factor in Russia's pursuit of its national interest, foreign policy priorities and development goals.

### **6.6.1. The outputs of work in G20 under the Italian presidency**

Russia regards the G20 as an important venue for collective decision-making to ensure the balance of interests of all participants on a wide range of international cooperation issues. The Italian G20 presidency presided over a period of uneven economic recovery after the pandemic-induced crisis, which aggravating inequality<sup>4</sup>, the need for a large-scale vaccination and higher risks

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<sup>4</sup> According to the World Bank's data, income inequality in different countries increased between the rich (two upper deciles) and the poor (two lower deciles). As per calculations, in 2021 individuals of the two upper deciles will make up for 50% of losses, while the poor are expected to lose another 5% of their incomes (See COVID-19 leaves a legacy of rising poverty and widening inequality. URL: <https://blogs.worldbank.org/developmenttalk/covid-19-leaves-legacy-rising-poverty-and-widening-inequality-oš>). At the same time, for the first time in many years the trend of reduction of inequality (by per capita income) between countries changed for the opposite one (See: Is COVID-19 increasing global inequality? URL: <https://blogs.worldbank.org/opendata/covid-19-increasing-global-inequality>). Increasing inequality in terms of the level of incomes is worsened by inequality in terms of access to vaccines and education (see: 2021 Year in Review in 11 Charts: The Inequality Pandemic. URL: <https://www.worldbank.org/en/news/feature/2021/12/20/year-2021-in-review-the-inequality-pandemic>).

of global warming by 2.5–3°C in 2041–2060.<sup>1</sup> In this context, the G20 presidency focused its attention on poverty alleviation priorities, well-being and prosperity, saving the planet and climate change.

### *Saving of the planet and the fight against climate change*

The focus of attention of ministers of energy and environment, finance ministers and heads of central banks was impact of economic recovery measures on climate and ecology. At the G20 summit in Rome, leaders reaffirmed their commitment to hold the global average temperature increase well below 2°C roughly by mid-century and pursue efforts to limit it to 1.5°C above pre-industrial levels. They recognized the importance of achieving a zero level of net greenhouse gas emissions and committed to contributions determined at the national level to reduce emissions in the period until 2030. By roughly mid-century, closer to the guidelines of Russia, China and Indonesia, a target date was set for achieving carbon neutrality, and not the date of 2050 set by a majority of developed countries.<sup>2</sup> Also, the selection of policy measures for a shift to a low-carbon economy was formulated with the national specifics of emerging market countries taken into account. It envisages a large-scale introduction of nature-friendly solutions; cooperation in research, development and implementation of low-emission technologies; stepwise reduction and optimization of inefficient subsidies of fossil fuel; investments into sustainable infrastructure and groundbreaking technologies; and a shift to a circular economy.

Despite an active promotion by the IMF and the OECD and support by the G7 for approval of the minimum carbon price, the G20 countries failed to reach an agreement on this issue. Taking into account that in 2022, 2023 and 2024 the G20 meetings will be hosted by Indonesia, India and Brazil, respectively, it is believed that the issues of carbon pricing are not going to be the priorities for these presidencies. But the IMF, the OECD, the World Bank and the G7 together with other developed countries and the EU will undoubtedly advance these issues in the G20. Along with the institutes of the UN Framework Convention on Climate Change, the G20 will be a key venue for debates on the climate change agenda. For Russia it is important to take advantage of it for developing collective decisions that meet the priorities of the Strategy of the Social and Economic Development of the Russian Federation with a Low Level of Greenhouse Gas Emissions till 2050.

### *Ensuring well-being and eradication of poverty*

Among issues of concern to the G20 were strengthening and upgrading preparedness and enhancing the response of healthcare systems to the pandemic, along with achieving Sustainable Development Goals (SDGs) related to healthcare for coverage of all the population. It was agreed to advance toward the goal of vaccinating at least 40% of the population in all countries by the end of 2021 and 70% by mid-2022; the G20 countries are also committed to boosting the supply of

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1 Climate Change 2021. The Physical Science Basis. Summary for Policymakers. URL: [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_SPM\\_final.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf)

2 G20 Rome Leaders' Declaration. URL: <http://www.kremlin.ru/supplement/5729>

vaccines and essential medical products and medicines in developing countries, to increasing their transparency and predictability, to removing financing constraints, to supporting the Initiative to speed up access to funds for combating COVID-19 and to refraining from export restrictions incompatible with the WTO rules. A decision was taken to establish a G20 Joint Finance-Health Task Force.

The new general allocation of \$650 bn worth of Special Drawing Rights (SDR), implemented by the International Monetary Fund (IMF) in August 2021 is expected to become a source of funding for economic recovery and the achievement of SDGs. The G20 countries have agreed that members with strong external positions will channel part of the allocated SDRs (about \$100 bn) to help vulnerable countries and establish a new IMF Trust Fund (Resilience and Sustainability Trust (RST)).<sup>1</sup> An important, though not quite sufficient, step towards debt sustainability and achievement of SDGs is the G20 and the Paris Club's commitment to step up efforts within the Common Framework for debt treatment beyond the Debt Service Suspension Initiative.<sup>2</sup> IMF estimates point to \$12.7 bn of total debt service deferred under this initiative, that is, a small amount as compared to \$1 trillion worth of developing countries' debts (excluding China) to be repaid until 2030, while deferred payments increase a servicing burden from 2022; the G20 did not even consider the prospects of writing off debts or introducing a systemic mechanism of sovereign debt restructuring.

### *Economic recovery and prosperity*

Between the need to sustain economic recovery, on one hand, and growing inflation, debts and capital flight risks on another, the G20 countries have agreed to avoid early scaling down of support measures and ensure simultaneously financial stability, long-term fiscal sustainability and safeguarding against downside risks and negative spill-overs. The G20 has proved its worth as a mechanism of harmonization of macroeconomic policies of developed and developing countries.

A long-awaited decision was taken on the reform of international taxation rules. The G20 approved a draft agreement on the Inclusive Mechanism for implementation of the G20/OECD Action Plan on base erosion and profit shifting. The draft agreement provides for redistribution of rights to taxation of large multinational companies' surplus profit (20%–30% of the profit received above the established level) in favor of jurisdictions in which they carry out market activities, as well as introduction of a minimum global tax of 15% on multinational companies.<sup>4</sup> Decisions are expected to be updated in 2022 and come into effect in 2023. By the OECD's estimates, the redistribution of rights is going to yield over

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1 URL: <https://www.imf.org/ru/News/Articles/2021/10/08/blog100821-sharing-the-recovery-sdr-channeling-and-a-new-trust>

2 Till the end of December 2021.

3 Trade and Development Report 2021. URL: [https://unctad.org/system/files/official-document/tdr2021\\_en.pdf](https://unctad.org/system/files/official-document/tdr2021_en.pdf)

4 Addressing the tax challenges arising from the digitalization of the economy. URL: <https://www.oecd.org/tax/beps/brochure-addressing-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.pdf>

\$100 bn, while the minimum tax, about \$150 bn annually, thus contributing to fair taxation and inclusive growth.

The G20 did not return to the commitment to give up protectionist trade and investment policy which used to be among the key issues of the trade policy agenda before 2017. The G20 member-countries recognized the need to remove tensions and imbalances in trade and investments, pledged to work to ensure equal conditions for creating a favorable trade and investment environment, reform the WTO and improve all its functions. Vague and broad wordings conceal sharp divisions between G7 member-states on one side and China, Russia, India and a number of other countries, on the other side, regarding “distorting market conditions” of subsidies and the local component requirements, “digital protectionism”, including data storage localization and digital trade guidelines approved on the eve of the G20 Rome summit.

Despite a large number of commitments in regard to the digital economy, the G20 failed to achieve new substantive agreements on this issue. The G20 reaffirmed the earlier formulated commitments to reinforce their actions towards the digital transformation of production, technological processes, services and business models. The G20 countries have agreed to step up cooperation to secure ICT (Information and Communication Technologies), remove shared vulnerabilities and threats, combat cyber-crime, as well as enhance confidence in the digital environment by improving internet safety. Due to substantial differences over data management issues and cross-border data flows, the G20 countries succeeded only in acknowledging the need to further their efforts to enhance general understanding and identify common approaches to regulation. The dialogue will continue within the framework of the working group on the digital economy.

The reunion of the G7 after Joseph Biden became the 46<sup>th</sup> US President and Italy’s commitment to the EU Green Deal and common transatlantic values resulted in harmonization of the agenda of the G20 presidency with the priorities of the G7 in 2021 and the EU action plan to achieve climate neutrality by 2050. In this context, to preserve the role of G20 as a key economic cooperation forum, it was necessary to ensure a multilateral decision-making with priorities of developing countries and emerging market countries taken into account. This was achieved, but not without endeavor.

Overall, Italy’s presidency was quite a success. The G20 showed a historically high level of fulfillment of obligations of the previous summit (86%). It is noteworthy that 225 concrete decisions were approved and institution building continued. The G20 has retained the role of a major forum of economic cooperation between developed and developing countries.

#### 6.6.2. The BRICS: 15 years of cooperation

Russia has made a substantial contribution to the consolidation of the BRICS as an institute which facilitates the narrowing of positions, develops relations between member states, promotes the role of these five members in global management and restructuring of the system of international institutions.

Within the framework of Russia's third presidency in 2020, the BRICS managed to negotiate the approval of urgent measures to overcome the pandemic and update long-term joint work plans. In 2021, the India's presidency determined the safeguarding of continuity and consolidation of cooperation as priorities, having formulated the motto: "BRICS@15: Intra BRICS Cooperation for Continuity, Consolidation and Consensus."

The jubilee year was marred by new waves of the pandemic. India, Brazil and Russia were among the world's top five countries hit the hardest by the pandemic with 33 mn, 21 mn and 7 mn coronavirus cases, respectively, by the time of the BRICS summit on September 9.<sup>1</sup> The BRICS countries focused their efforts on fighting COVID-19 inside their countries and continued work on the following: development of a comprehensive early warning system against the risks of mass infectious diseases and on the establishment of the BRICS Center for Vaccine Development and Research, support for global efforts to strengthen healthcare systems and provide over a billion vaccine doses, including some on a free of charge basis within the framework of international cooperation. The BRICS supported Russia's proposal on mutual recognition of national vaccination documents and test results, as well as India's initiative on lifting vaccine patent protection with flexibility envisaged by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and the Agreement on TRIPS and Public Healthcare of the Doha Declaration.

In the context of implementation of the Strategy for BRICS Economic Partnership till 2025, the road map on trade and investment-related aspects of cooperation and the BRICS Action Plan on Cooperation in Agriculture in 2021—2024 were approved. The BRICS paid particular attention to the equitable achievement of all SDGs, including a shift to sustainable models of consumption and production, biodiversity conservation, and implementation of the goals of the Paris Agreement on the basis of the principles of common but differentiated responsibility with various national circumstances taken into account. Underlying the importance of digitalization, ICT and data in achieving SDGs, the BRICS countries failed to come out with any joint initiatives on new lines, such as regulation of digital platforms, data and digital currencies. During China's presidency in 2022, China's concrete proposals and further discussion of India's initiative on establishment of the BRICS platform on digital social goods can be expected. As regards digital security, the BRICS countries acknowledged their commitment to carry out the road map on practical cooperation to ensure ICT security and proceed with the development of legal frameworks of cooperation on international information security issues, but failed to come to an agreement on whether BRICS intergovernmental agreements or bilateral agreements between the Bricks member countries were going to be included as proposed by Russia and Brazil, respectively.

The BRICS countries reaffirmed their commitment to promote multilateralization and reforms of international institutions, primarily, the finalizing of the IMF quota and governance reforms, rehabilitation of the WTO two-tier dispute settlement system and restructuring of the UN main bodies. At the same time, the BRICS

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1 WHO Coronavirus (COVID-19) Dashboard. URL: <https://covid19.who.int/table>

continued to develop internal mechanisms of cooperation, including the BRICS partnership on a new industrial revolution, the national currency bond fund, the Contingent Reserve Arrangement and the New Bank for Development (NBD). In 2021, the NBD expanded its membership<sup>1</sup>, increased financing of projects and social and economic support measures of its member countries and proceeded with placing of securities on international markets. To facilitate economic recovery, the Board of Directors approved the allocation of the remaining \$3 bn out of \$10 bn worth of the emergency aid package agreed upon in 2020: \$1 bn to the Russian Federation for support of the government plan to pay incentive rewards to healthcare workers, \$1 bn to South Africa for job creation and \$1 bn to China for revival of economic activity and employment. The funds were raised in particular through issuing and placing of yuan 5 bn worth of bonds on the Chinese inter-bank market, as well as \$1.5 bn worth of five-year bonds and \$2,25 bn worth of three-year bonds on international markets. The NBD became the first multilateral bank which introduced UNDP SDG Impact Standards for bond issuers.<sup>2</sup> In 2021, the NBD approved \$1.5 bn worth of investments in sustainable and digital infrastructure projects.

In 2021 the BRICS negotiated the approval of 73 concrete obligations. Despite global challenges caused by the pandemic, the socioeconomic crisis, domestic problems and tensions between member countries, the BRICS succeeded in ensuring continuity, promoting cooperation and maintaining the momentum of institutional development. It is worth mentioning that Russia played a pivotal role in mediating differences between India and China. The average rate of implementation of the BRICS Moscow Summit decisions was equal to 72%.

### 6.6.3. The International Monetary Fund (IMF): an increase in lending and stalled reforms

In 2021, Russia, which is assigned the IMF creditor country status, continued to contribute funds to the IMF's pool, primarily, through the IMF quota system. Russia's quota remained unchanged since 2016 when it amounted to 12,9037 bn units of special drawing rights (SDRs) (as of early December 2021, 1 SDR was equal to about \$1.4).<sup>3</sup> In addition to quotas there are also "defense line" obligations – new loan agreements under which Russia's contingent commitments amount to 8.88 bn SDRs (in case of Russia, the agreement is in effect till November 16, 2022)<sup>4</sup> and the bilateral loan agreement with liabilities in SDRs equal to \$3.9 bn (these obligations are valid till December 31, 2023 and can be extended for another year).<sup>5</sup> Along with other IMF member countries, Russia's participation in the IMF credit facilities contributes to the boosting of the IMF lending capacity to about

1 Affiliation of the United Arab Emirates, Uruguay and Bangladesh was approved.

2 UNDP releases SDG Impact Standards for Bond Issuers. URL: <https://www.undp.org/press-releases/undp-releases-sdg-impact-standards-bond-issuers>

3 Russian Federation and the IMF. URL: <https://www.imf.org/en/Countries/RUS>

4 IMF Concludes Steps to Maintain its Lending Capacity. URL: <https://www.imf.org/en/News/Articles/2021/01/08/pr214-imf-concludes-steps-to-maintain-its-lending-capacity>

5 Loan Agreement between the Central Bank of the Russian Federation and the International Monetary Fund. URL: <https://www.imf.org/-/media/Files/News/press-release/2021/pr214/pr214-signed-russia-2020-borrowing-agreements.ashx>



\$1 trillion on the back of redoubling of new agreements and renegotiation of bilateral loan agreements since 2020. It was really important, taking into account the fact that IMF resources were much in demand because of the COVID-19 pandemic, and the need could not be met by means of an increase in quotas alone as the 15<sup>th</sup> General Review of Quotas was not carried out, while the 16<sup>th</sup> General Review was expected to be completed only in 2023. Russia's contribution to the IMF mechanisms may help the IMF increase funding to minimize downturns in the poorest countries and, as a consequence, reduce transborder spillovers for the Russian economy.

Amid the ongoing COVID-19 pandemic, the IMF passed a decision on a large-scale support of the global economy through allocation of 456 bn SDRs or about \$650 bn. The previous large-scale allocation of \$250 bn worth of SDRs took place in 2009 and was aimed at overcoming the implications of the global financial crisis. The proposal to issue additional \$400 bn worth of SDRs to fight the current crisis was voiced for the first time as far back as spring 2020. Despite a delay in decision-making, Kristalina Georgieva, IMF Managing Director regards the issuing of SDRs as “a vaccination for the global economy during the unprecedented crisis”.<sup>1</sup> However, the efficiency of the new allocation of SDRs for support of countries which were hit the hardest by the crisis is limited not by the delay alone. As the issue of SDRs was distributed pro rata quotas of the IMF member countries, over 60% of funds were allocated to high-income countries with no shortage of reserves. The United States accounted for over 17% of the allocation, while low-income countries, for the mere 3%. Russia accounted for 2.71% of the allocation volume, that is, the equivalent of \$17.5 bn.<sup>2</sup>

As SDRs are not physical assets, they have to be converted in order to be used for purposes which are different from transactions with the IMF. IMF member countries are in a position to sell, buy and pledge SDRs, exchange SDRs within swap arrangements, borrow and lend them, as well as receive SDRs free of charge from other countries. Importantly, unlike IMF credit facilities, the allocation of SDRs does not involve any conditions and obligations on the part of member countries. Despite the IMF's calls and some G20 countries' initiatives (worth \$45 bn in total) on redistribution of new SDRs in favor of poorer countries via the RST or the IMF Poverty Reduction and Growth Trust (PRGT) to increase lending facilities to low-income countries, Russia did not pass any decisions to that effect: the Central Bank of Russia which received SDRs added them to its international reserves.

Apart from financial relations, in 2021 the IMF kept providing consulting and technical support to Russia. Based on the results of annual consultations with the IMF mission within the scope of Article IV of the IMF Articles of Agreement in 2020, a press briefing was held in February 2021.<sup>3</sup> It was specified that growth based on

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1 IMF Governors Approve a Historic US\$650 Billion SDR Allocation of Special Drawing Rights. URL: <https://www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights>

2 2021 General SDR Allocation. URL: <https://www.imf.org/en/Topics/special-drawing-right/2021-SDR-Allocation>

3 Section 6. Institutional Changes. URL: <https://www.iep.ru/files/text/trends/2020/06.pdf>

the implementation of structural reforms through infrastructure development and upgrading of the business climate and institutional and regulatory environment should be sped up. In light of this, it is important to proceed with this work within the “regulatory guillotine” and national projects framework, avoiding at the same time a substantial increase in the government’s involvement in the economy.<sup>1</sup>

In February 2021, the IMF and the World Bank launched a regular Financial Sector Assessment Program (FSAP) in Russia; this program is carried out every five years. The program includes two main components – the stability module and the development module – suggesting a remote analysis of the financial sector’s regulation and supervising practices, as well as interviews with representatives of the regulators and the private sector. Within the framework of implementation of FSAP in Russia, they will analyze system risks, macroprudential policy instruments, banking sector and stock market regulation and crisis management instruments. Based on the outputs of the Program, final reports will be prepared and released early in 2022.<sup>2</sup>

Overall, in 2021 Russia’s networking with the IMF was proceeding in the same direction as in the past few years. Russia fulfills consistently its obligations as an IMF creditor country, however, the IMF capital and management reforms, in which Russia is interested, including an increase in the share of quotas and voting rights of emerging market and developing countries, review of the quotas calculation formula and change in the SDRs basket composition by means of adding new reserve currencies, remain unimplemented.

#### **6.6.4. The World Bank Group: cooperation amid the moratorium on new projects in the Russian Federation**

In 2021, the priorities of networking between Russia and the World Bank Group (WBG) still include scientific research and expert analytics in macroeconomic model building and forecasting, as well as financial regulation standards.<sup>3</sup>

However, over the past few years there have been long-term problems in the relations between Russia and the WBG.<sup>4</sup> The moratorium on new projects in Russia introduced in 2014 by the International Bank for Reconstruction and Development (IBRD), the WBG’s backbone institution, is still in effect. According to the data as of early December 2021, four projects approved before the moratorium were underway in the fields of upgrading statistical data collection systems, preservation of cultural heritage, development of public utilities and the hydro-meteorological service; the overall volume of the IBRD’s funding of these projects was equal to \$370 bn.<sup>5</sup> Also, other WBG institutions still upheld financial

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1 Transcript of the Russia 2020 Article IV Consultation Press Briefing. URL: <https://www.imf.org/en/News/Articles/2021/02/09/tr020921-transcript-of-the-2020-article-iv-consultation-on-russia-press-briefing>

2 Information on participation of the RF Central Bank in the Financial Sector Assessment Program (FSAP) by the IMF and the World Bank in 2021. URL: [http://www.cbr.ru/press/pr/?file=24022021\\_191749pr.htm](http://www.cbr.ru/press/pr/?file=24022021_191749pr.htm)

3 The World Bank Group. URL: <https://www.cbr.ru/today/ms/smo/wb/>

4 Section 6. Institutional Changes. URL: <https://www.iep.ru/files/text/trends/2020/06.pdf>

5 Projects. URL: [https://projects.vsemirnyjbank.org/ru/projects-operations/projects-list?lang=ru&countrycode\\_exact=RU&os=0](https://projects.vsemirnyjbank.org/ru/projects-operations/projects-list?lang=ru&countrycode_exact=RU&os=0)

restrictions introduced in 2014 on cooperation with Russia. As in networking between Russia and the IMF, no progress was made in Russia's relations with the WBG regarding implementation of equity capital and management reforms in the interests of emerging market and developing countries.

At the same time, taking into account the need to overcome socioeconomic implications caused by the pandemic, Russia continues cooperation with the WBG in scientific research and expert analytics. Apart from the above-mentioned participation jointly with the IMF in the program of assessment of the Russian financial sector (FSAP) in 2021, the World Bank released the 45<sup>th</sup> issue<sup>1</sup> and the 46<sup>th</sup> issue<sup>2</sup> of the Russia Economic Report. In particular, the latest issue of the report points to a negative effect of COVID-19 restrictions on economic growth momentum. Despite a slowdown of Russian economic growth rates in H2 2021, WBG experts estimate them to be equal to 4.3% for the year as a whole, which is higher than earlier forecasted, and expect them to slow down to 2.4% and 1.8% in 2022 and 2023, respectively. In the longer term, the development of the Russian economy will depend primarily on progress in implementation of structural reforms. Specifically, WBG experts pointed out the effect of the Strategy of Development of the Russian Federation with Low Greenhouse Gas Emissions (published in October 2021) on economic growth. In their view, an ambitious dual-purpose task of speeding up economic growth on average to 3% annually and ensuring the ecologization of the economy will require measures aimed at enhancing the competitive edge of the Russian economy and limiting "green" transition-related costs.<sup>3</sup> A key recommendation was to redistribute funds provided in terms of energy subsidies to Russian consumers; by estimates of WBG experts these funds amounted to 1.4% of GDP in 2019.<sup>4</sup>

In 2021, limitations that have existed for seven years can still be found in relations between Russia and the WBG. Within this framework, traditional networking in expert-analytics is underway, while the priority of financial cooperation with the WBG is unswervingly declining with alternative institutions, primarily, the NBD and the Asian Infrastructure Investment Bank (AIIB), becoming Russia's main partners in this field.

### 6.6.5. The World Health Organization: development of the global healthcare system amid the pandemic

Within the framework of the World Health Organization (WHO) in 2021 Russia concentrated its efforts on the priorities of institutional cooperation and

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1 Russia's Economic Recovery Gathers Pace, Says New World Bank Report. URL: <https://www.worldbank.org/en/news/press-release/2021/05/26/russia-s-economic-recovery-gathers-pace-says-new-world-bank-report>

2 Amidst Strong Economic Rebound in Russia, Risks Stemming from COVID-19 and Inflation Build, Says World Bank Report. URL: <https://www.worldbank.org/en/news/press-release/2021/12/01/amidst-strong-economic-rebound-in-russia-risks-stemming-from-covid-19-and-inflation-build-says-world-bank-report>

3 46 Russia Economic Report. URL: <https://documents1.worldbank.org/curated/en/099050011302118976/pdf/P17756206d40310aa0a5e109d6fa60bc55a.pdf>

4 Energy Subsidies in Russia. Size, Impact, and Potential for Reform. URL: <http://documents1.worldbank.org/curated/en/099125011302110190/pdf/P1750280ca1db807e08cea076ac354e401b.pdf>

consolidation of the WHO, provision of aid to developing countries and registration of the Sputnik V vaccine.

The spread of the coronavirus infection spurred the WHO member countries to find new approaches to fight epidemiological challenges globally. At the 74<sup>th</sup> Annual World Health Assembly in May 2021, a decision was taken on convening a special session on November 29 – December 1, 2021 to prepare an international agreement on strengthening preparedness to pandemics.<sup>1</sup> This line of activities is the WHO's most important one in 2021 as it lays structural and institutional foundations for networking of countries in the fight against pandemic threats in future.

Based on the results of the session, on December 1, 2021 a statement was made on the establishment of the intergovernmental negotiation body for development and approval of “a convention, agreement or any international document on pandemic prevention, preparedness and response”.<sup>2</sup> The Russian side supported this decision in a statement made by Mikhail Murashko, RF Health Minister at the opening of the special session on November 29, 2021. Also, Mikhail Murashko noted that the work on the new document should be inclusive and transparent, while the new convention should not duplicate the existing documents, particularly, the WHO medical and sanitary regulations which remained the main legal document on strengthening of preparedness to emergency situations in healthcare.<sup>3</sup>

It is noteworthy that other aspects of the WHO activity are also very important. Russia acted as a co-organizer of two WHO events at the 76<sup>th</sup> UN General Assembly in September 2021. In particular, these events were dedicated to the achievement of SDGs in the fight against noncommunicable diseases and mental health disorders<sup>4</sup>, as well as tuberculosis.<sup>5</sup>

Within the framework of the WHO European Regional Bureau (ERB), in 2021 Russia's representatives took part in joint initiatives together with European countries and the CIS. Particularly, in October 2021 the ERB held simulation exercises for rapid response mobile laboratories in order to build up stronger emergency response preparedness. The field component of the exercises took part in Kazan in October 1—15, 2021. In the course of training, they tested procedures

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1 The Seventy-fourth World Health Assembly closes. URL: <https://www.who.int/news/item/31-05-2021-the-seventy-fourth-world-health-assembly-closes>

2 World Health Assembly agrees to launch process to develop historic global accord on pandemic prevention, preparedness and response. URL: <https://www.who.int/news/item/01-12-2021-world-health-assembly-agrees-to-launch-process-to-develop-historic-global-accord-on-pandemic-prevention-preparedness-and-response>

3 Russia expressed readiness to help develop an agreement on preparedness to pandemics. URL: <https://ria.ru/20211129/pandemiya-1761317054.html>

4 Meeting the Noncommunicable Diseases and Mental Health-related SDG Targets: the urgent need to scale up catalytic financing and technical support. URL: <https://www.who.int/news-room/events/detail/2020/09/22/default-calendar/meeting-the-non-communicable-diseases-and-mental-health-related-sdg-targets>

5 Official UN General Assembly Side Event: Progress and Multisectoral Action Towards Achieving Global Targets to End TB. URL: <https://www.who.int/news-room/events/detail/2021/09/24/default-calendar/official-UNGA-side-event-on-TB-2021>

and standards applied to rapid response mobile laboratories at the stage of their deployment. <sup>1</sup>

As regards the humanitarian aspect of cooperation, Russia continues to act as an international healthcare aid donor within the framework of the WHO. For instance, on July 15, 2021 the RF Government sent urgent medical aid and medical kit supplies to Afghanistan for the fight against cholera. The WHO representative in Afghanistan expressed gratitude to the RF Government for the contribution made to support the country's healthcare delivery services.<sup>2</sup>

Finally, an important line of activity is still the long drawn-out process of qualification of the Russian Sputnik V vaccine against the coronavirus (Gam-COVID-Vac) for an emergency use. In May-June 2021, the WHO Commission carried out inspections of four factories producing the Sputnik V vaccine and identified six groups of shortcomings at the "Ufa Vitamin Plant" factory related with the integrity of microbiological monitoring results and proper implementation of aseptic procedures. The certification process was suspended due to the identified drawbacks.<sup>3</sup> In October 2021, the WHO renewed the qualification process of Russian vaccines<sup>4</sup> and as of November 2021 expects the Russian side to provide the updated information.<sup>5</sup>

Russia continues to consolidate the WHO as the core of the global healthcare system by means of facilitating the development of new arrangements to deal with the most acute global challenges, supporting the existing mechanisms of cooperation and rendering aid to developing countries under the WHO guidance. Further, Russia has repeatedly come out for the consolidation of the WHO within the framework of other international institutions, including the G20 and the BRICS.

#### 6.6.6. The UN: a new stage in negotiations on international information security

In 2021, Russia's key achievement on the UN platform was a breakthrough in multilateral negotiations on challenges to international information security (IIS). Starting from 2017, the negotiations stalled because the parties were not prepared to reach a compromise in the debates on application of the international law standards to ICT utilization by different countries. The US and its allies proceed from the position of complete and unconditional application of the existing standards of international law to ICT. According to the Russian position,

1 WHO ERB and GOARN will hold the 2nd simulation exercises for rapid response mobile laboratories in order to build up stronger emergency response preparedness. URL: <https://www.euro.who.int/ru/media-centre/events/events/2021/10/who-europe-and-goarn-second-simulation-exercise-for-rapid-response-mobile-laboratories-for-stronger-emergency-response-preparedness>

2 Afghanistan receives shipment of medical kits to support health care delivery services. URL: <https://www.who.int/news/item/15-06-2021-afghanistan-receives-shipment-of-medical-kits-to-support-health-care-delivery-services>

3 PAHO Press Briefing on #COVID19 in the Americas. URL: <https://twitter.com/i/broadcasts/IRDGIPakevVGL>

4 Status of COVID-19 Vaccines within WHO EUL/PQ evaluation process. URL: [https://extranet.who.int/pqweb/sites/default/files/documents/Status\\_COVID\\_VAX\\_20Oct2021.pdf](https://extranet.who.int/pqweb/sites/default/files/documents/Status_COVID_VAX_20Oct2021.pdf)

5 Status of COVID-19 Vaccines within WHO EUL/PQ evaluation process. URL: [https://extranet.who.int/pqweb/sites/default/files/documents/Status\\_COVID\\_VAX\\_11Nov2021.pdf](https://extranet.who.int/pqweb/sites/default/files/documents/Status_COVID_VAX_11Nov2021.pdf)

a probable implication of a country's enforcement of the right to self-defense in cyberspace realities can result in the use of cyber weapons in circumvention of the existing mechanisms, including the UN Security Council.

It is noteworthy that on the back of differences in the US and Russian approaches, in 2018 two negotiation processes were initiated: one within the scope of the open-ended working group (OEWG) and the other, within the framework of the Group of Government Experts (GGE). OEWG was established in compliance with the UN General Assembly's Resolution on the Development in the Field of Information and Telecommunications in the Context of International Security co-sponsored by Russia and other 32 countries, including the BRICS countries and the Shanghai Cooperation Organization, except Brazil.<sup>1</sup> GGE was established in compliance the UN General Assembly's Resolution on Advancing Responsible State Behavior in Cyberspace in the Context of International Security<sup>2</sup> initiated by the US and backed by the EU and other developed countries. Russia took part in the work of both groups, facilitating complementary negotiations and the narrowing of positions.

From March through May 2021, OEWG<sup>3</sup> and new members of GGE<sup>4</sup> presented final reports on their work. Parallel negotiations on two platforms failed to develop a common approach to the application of standards of international law for prevention of conflicts in cyberspace; both the documents include references to the need to carry on debates and other compromise non-binding options. At the same time, the approval of both the reports is the evidence of the parties' intentions to continue negotiations and take off the table the existing differences specified in the final report of the chairman of OEWG.<sup>5</sup>

In this context, the US-Russian Draft Resolution<sup>6</sup> put forward in October 2021 on Developments in the Field of Information and Telecommunications in the Context of International Security and Advancing Responsible State Behavior in Cyberspace in the Context of International Security<sup>7</sup> is a real breakthrough. The decision became feasible owing to the narrowing of positions between Russia and the US after the Geneva summit between President Vladimir Putin and US President Joe Biden in June 2021 where both the sides agreed to scale up the

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1 Developments in the field of information and telecommunications in the context of international security. URL: <https://undocs.org/en/A/RES/73/27>

2 Advancing Responsible State Behavior in Cyberspace in the Context of International Security. URL: <https://undocs.org/ru/A/RES/73/266>

3 Open-ended working group on developments in the field of information and telecommunications in the context of international security. Final Substantive Report. URL: <https://front.un-arm.org/wp-content/uploads/2021/03/Final-report-A-AC.290-2021-CRP.2.pdf>

4 Report of the Group of Governmental Experts on Advancing responsible State behavior in cyberspace in the context of international security. URL: <https://front.un-arm.org/wp-content/uploads/2021/06/final-report-2019-2021-gge-1-advance-copy.pdf>

5 Open-ended Working Group on Developments in the Field of Information and Telecommunications in the Context of International Security. Chair's Summary. URL: <https://front.un-arm.org/wp-content/uploads/2021/03/Chairs-Summary-A-AC.290-2021-CRP.3-technical-reissue.pdf>

6 Co-sponsors of the US-Russian resolution were 53 countries, including those which criticized the Russian draft resolution on convening OEWG in 2018.

7 Developments in the field of information and telecommunications in the context of international security and advancing responsible State behavior in the context of application of information and communications technologies. URL: <https://undocs.org/ru/A/C.1/76/L.13>

exchange of data on cyber threats. Debates on the text of the Resolution were held within the framework of OEWG and GGE. If this Resolution is endorsed by general voting at the UN General Assembly in December 2021, OEWG established by Russian efforts will become a key negotiation venue for debates on IIS issues under UN auspices.

Endorsement of the US-Russian joint resolution should not be a reason for excessive optimism. It is based on a compromise: as regards the issue of the legal status of bilateral decisions, the resolution envisages the option of moving forward without binding decision-making. The new OEWG will have to resolve this dilemma amid justified concerns that progress in this work depends on the state of relations between the leading parties to the negotiations.

#### 6.6.7. The outcomes of the 26<sup>th</sup> Conference of the parties to the United Nations framework convention on climate change

The UN Climate Change Conference held on October 31 – November 12, 2021 was one of the major international events of 2021. The declaration of the goal of attaining carbon neutrality by the world's leading economies by and around the mid-century, adoption of new crisis exit and growth strategies based on green investments, technologies and energy transition, unresolved Article 6 of the Paris agreement, growing awareness of the need to take immediate collective efforts and the pressure on the part of the civil society set very high expectations for the Glasgow summit. As a result of negotiations, although there was progress in most areas, in regard to the Paris agreement goals (to prevent an increase in temperature above 1.5°C), it was limited.

In Glasgow, the leading countries declared their intentions to ensure the balance between greenhouse gas emissions and their absorption. In strategies provided, the entire emission reduction would be carried out in the territory of concrete jurisdictions, with no inter-country trade in emission reduction units allowed; this may be less economically effective than climate projects and emissions reductions but less costly in some areas. Most countries seek to achieve these goals by means of a 80%-90% reduction in emissions with the remainder compensated through increased absorption. Russia's approach is different: the plan is to reduce emissions by only 15% of the level seen in 2019 by the year 2050 (from 2119 million tons to 1830 million tons)<sup>1</sup>. At the same time, from 2019 through 2050 absorption should increase by over 100% (from 535 million tons to 1200 million tons). This will ensure a 65% absorption of planned emissions to reach the target net emissions of 630 mn tons by 2050. On aggregately, it reduces emissions from 3,113.4 mn tons in 1990 to 630 mn tons by 2050 (aggregate emissions will be equal to 80%). Though Russia is hypothetically able to compensate greenhouse gas emission in this planned volume, in reality enormous efforts will be required to ensure efficiency of climate projects; it is also necessary to carry out reforms of the forest management system and pursue a consistent wildfire prevention

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<sup>1</sup> The Strategy of the social and economic development of the Russian Federation with low greenhouse gas emissions till 2050. URL: <http://static.government.ru/media/files/ADKkCzp3fW032e2yA0BhtlpyzWfHaiUa.pdf>

and suppression policy. However, in the strategy of development with the low level of greenhouse gas emissions, this issue is not yet developed enough to meet the challenge of attaining neutrality within the framework of the current policy configuration.

Russia's main goal in COP26 was to negotiate the conditions of implementation of Article 6 of the Paris Agreement. In respect of Article 6.2, the "Guidance" on trade in emission reductions between countries<sup>1</sup> was endorsed. One of the main inconsistencies of Article 6 – dual accounting – was eliminated via approval of assignment of only those emission reductions which were received after 2021 and establishment of the single register to be kept by UN FCCC Secretariate. As regards Article 6.4, which is of a special interest to Russia in the context of implementation of climate change projects, an agreement was reached on "Rules, Modalities and Procedures" for special projects and programs creating units of emission reductions.<sup>2</sup> A Supervisory Board was established to approve projects. The decision envisages no limitations as to the type of projects and programs. After complex negotiations, owing to the principled stand of Brazil and India, a decision was made; it does not exclude but minimizes the use of projects and units of the clean development mechanism defined by the Kyoto Protocol. It is expected that the entire scheme of implementation of Article 6.4 can be launched by 2023, which is in line with the start of the Russian system of climate projects. However, its more realistic start is likely to take place in 2024–2025. Also, it has become possible to coordinate bilateral and multilateral initiatives (border payments, taxes, standards and criteria) within the scope of Article 6.8 in the future. The parties approved the "Work Program" on non-market cooperation, established a committee and plan to hold debates. However, in the near future the start of implementation of the Article's provisions is highly unlikely.

The issues of climate financing of developing countries are not priorities for Russia as it is neither a mandatory donor, nor an aid recipient. However, the Glasgow summit set the overall volumes of climate finance mobilized by developed countries (including private funds) in the amount of at least \$100 bn per year. The COP26 calls on developed countries to double financing of adaptation (up to \$40 bn per year).

Also, the Glasgow summit launched a number of international initiatives: a declaration on methane, forests, coal and oceans. Russia was a co-sponsor of the forest conservation initiative, but did not join the initiatives on methane and coal. Russia's absence in methane cooperation club creates risks that it may be excluded from the formation of the international regime and a discriminatory regulation will be adopted, while Russia is the second largest methane emitter. Also, it is noteworthy that China and the US concluded a bilateral agreement on coordinated actions over the next ten years in power generation and development of renewable energy sources and on reduction in methane emission and use of

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1 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. URL: [https://unfccc.int/sites/default/files/resource/cma3\\_auv\\_12a\\_PA\\_6.2.pdf](https://unfccc.int/sites/default/files/resource/cma3_auv_12a_PA_6.2.pdf)

2 Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement. URL: [https://unfccc.int/sites/default/files/resource/cma3\\_auv\\_12b\\_PA\\_6.4.pdf](https://unfccc.int/sites/default/files/resource/cma3_auv_12b_PA_6.4.pdf)



coal.<sup>1</sup> China sends a signal that it is a responsible participant of the global climate regulation and is prepared to promote cooperation in this area, particularly, with western partners. Unfortunately, Russia is not yet pursuing a relevant foreign policy line.

Within the framework of COP26, Russia has succeeded in gaining the required modalities for forest climate projects, which are going to play a decisive role in the achievement of the target absorption share: it became feasible to envisage for them more extended periods of issuing units (for ordinary projects: 5 years and two extensions; for forest projects: 15 years plus two extensions). Also, as Article 6.4 does not set mandatory requirements to climate forest and other nature projects, it is feasible to determine their configuration in terms of national priorities.

Overall, COP26 can be regarded as successful for Russia. However, the establishment of new climate clubs and signing of agreements which Russia is not a party to creates challenges to Russia's national interests. It is necessary to fill as quickly as possible the Strategy with concrete measures, including carbon pricing and, probably, review the ratio between emissions and absorptions. It is important to participate in negotiations in all venues with the highest level of representation because, despite the fact that Russia sent a large delegation to COP26 and assigned a high priority to the negotiation of technical aspects of the Agreement, the absence of the country's leaders at the summit is viewed as a signal that Russia is not prepared to assume serious obligations, and this weakens the negotiating position on strategic issues.

#### 6.6.8. Green deal and Nord Stream 2 in relations between Russia and the European Union

In 2021, Russia's relations with its main economic partner – the EU – remained tense; no trends towards an improvement and revival of cooperation on important issues were seen and economic sanctions imposed in 2014 were further extended. At the same time, the EU presented the whole range of initiatives which may influence Russia's social and economic development in the near- and, particularly, long-term.

The measures of implementation and internationalization of the Green Deal which was presented in 2019 and was continued to be filled with concrete proposals on implementation thereof in 2021 ("Fit for 55" package) will influence both directly Russia's interests through the removal of requirements to the market entry and indirectly owing to a reduction in demand for hydrocarbons. In Russia, the most discussed Green Deal initiative was the carbon border adjustment mechanism (CBAM). After the draft law was published, it became clear that the situation was not that dramatic as it was initially expected because energy industries were not in the list and only direct emissions were to be accounted for at the initial stage. CBAM envisages time for a test run and provision of information on emissions without buying certificates from 2023 till 2025; though the volume

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<sup>1</sup> "China-US Joint Glasgow Declaration on Enhancing Climate Actions in the 2020s". URL: <https://www.state.gov/u-s-china-joint-glasgow-declaration-on-enhancing-climate-action-in-the-2020s/>

of free of charge permissions is subsiding, they remain actually within the scope of the EU quotas trading system till 2035. CBAM makes it feasible to “repackage” assets and production processes: with Russia sending to the EU less carbon-intensive products, importers of Russian goods will be buying fewer certificates. The existing draft regulation envisages reporting on direct and indirect emissions, while in case of buying certificates the accounting of only direct emissions is to be made before the receipt of sufficient information on the development of assessment methods. However, it is to be noted that CBAM modalities may be tightened. In the first instance, they may introduce accounting of indirect emissions when buying certificates even under the existing mechanism. In Russia, electricity is rather carbon intensive and this will adversely affect the overall footprint of exported products. Also, after 2035 CBAM is expected to be extended onto new sectors, including energy commodities. This will hit hard Russia’s interests as an exporter.

In 2021, the G20 supported the EU initiative on establishment of the International Observatory on Methane Emissions as an international authority on data collection, verification and accounting. The EU is prepared to offer its methane emission retesting technologies, making it feasible to determine the extent of emission anywhere in the world. Within the framework of the Glasgow climate summit, a new global initiative on methane was prepared. For Russia, the world’s second largest methane emitter, there are risks of a discriminating regulation to be endorsed by other actors as it does not take part in initiatives.

The more ambitious goals put forward by the EU in respect to the shares of renewable energy in the overall matrix (at least 40% by 2030) and energy efficiency (cuts in primary energy consumption (39%) and final energy consumption (36%) by 2030) will lead to a decrease in demand for Russian energy commodities, whose exports to Europe yield a substantial portion of revenues to the Russian budget. If demand for natural gas can even increase in the period till 2030 in the process of substitution in the EU of coal for cleaner sources, demand for other energy commodities will fall on the European market. However, increased natural gas consumption may not materialize because of growing political divisions.

2021 saw the completion of the Nord Stream-2 project which may deliver additional 55 bn cubic meters of natural gas to the EU directly, however, the start of its operation was delayed, particularly, on the back of pressure by some EU member countries and the US. On November 16, 2021, Germany’s Federal Network Agency (BNetzA) suspended certification of the Nord Stream 2 AG because of the need to establish an operator in the form of a legal entity in accordance with the German legislation which is aimed at ensuring compliance with the EU Directive requirements as regards general domestic gas market rules of partition of delivery, transportation and distribution functions. However, after the establishment of a German subsidiary, owner of the German stretch of Nord Stream-2, its certification as an independent operator is not guaranteed, nor is likely to take place soon. The certification process may take up to 10 months and the European Commission is in a position to give its opinion on draft resolution before it is endorsed. In case of disagreement with the commission’s findings, the European Commission

may initiate an investigation in the EU Court. Also, PGNiG, Polish state-owned energy company filed an application for the right to present evidence against the pipeline.<sup>1</sup>

After the German regulator postponed approval of operationalizing Nord Stream-2, the energy crisis broke out in Europe and prices for natural gas soared by 17%. Gazprom fulfilled in full its obligations on long-term contracts, but a number of factors (expectations of cold winter, a reduction in gas supplies to Europe from Norway, a decrease in windmill power generation and growing global demand for natural gas) in conjunction with low gas reserves in the EU and insufficient supply of gas on the spot market led to a surge in prices. In short-term, such a situation can be advantageous to Russia as increased gas supplies become even more sought out and with Nord Stream-2 put into operation this demand can be met. However, in mid-term and short-term the situation may unfold against Russia if amid growing political tensions, pressure on the part of pipeline opponents and too high prices for natural gas a decision will be taken on stepping up transition to renewable energy sources (RES). A speedy rollout of RES is impossible, but the required investments can be made to prevent crises in future. Apart from growth in the share of RES and energy efficiency, the EU can make a point of bolstering its energy security via diversification of gas supplies and reduction in its reliance on Russia.

Overall, the relations between Russia and the EU remain tense and it is impossible to reach an agreement on different issues; even the Nord Stream-2 project which is apparently economically advantageous to some EU key member countries encounters constantly opposition for political reasons. It is in Russian interests to pursue the climate policy and regulation and carry out energy transition nationwide to reduce adverse implications of some Green Deal measures and dependence of the economy on energy commodities exports to Europe.

#### 6.6.9. The Shanghai Cooperation Organization (SCO): twenty years of cooperation

In 2021, Tajikistan's SCO presidency focused its attention on further promotion of trade and economic cooperation, overcoming of pandemic implications and networking on digitalization and climate issues.

As far back as the 2020 summit, Emomali Rakhmon, President of Tajikistan declared that the establishment of SCO specialized financial institutes would become a priority of the jubilee 20<sup>th</sup> year of the SCO cooperation. However, the SCO failed to come to an agreement on concrete steps to establish the Development Fund and the SCO Bank for Development for implementation of the SCO Development Strategy till 2025.<sup>2</sup> The Russian side still insists on consolidation of

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1 PGNiG and PST expect to be granted participation in certification proceedings concerning Nord Stream 2. URL: <https://en.pgnig.pl/news/-/news-list/id/pgnig-and-pst-expect-to-be-granted-participation-in-certification-proceedings-concerning-nord-stream-2/newsGroupId/1910852?changeYear=2021&currentPage=1>

2 The Report by Vladimir Norov, SCO Secretary General at the 4th Meeting of Finance Ministers and Representatives of Central (National) Banks of SCO member countries. URL: [http://rus.sectsc.org/archive\\_news/20210904/775052.html](http://rus.sectsc.org/archive_news/20210904/775052.html)

efforts on the track of the SCO's Interbank Association (IBA)<sup>1</sup> and its networking with the Business Council.<sup>2</sup> Within the framework of the IBA, the SCO adopted the Strategy of Mid-Term Development (2022–2026) and the SCO's new IBA Strategy, which includes responsible financing and introduction of “green” technologies into the economy. The SCO works on the prospect of expanding the lending in national currencies and utilization of national currencies in implementing joint projects and negotiates the road map on a stepwise increase in the share of national currencies in mutual settlements in order to reduce the SCO' economies' reliance on external factors, as well as converting related and transaction costs.<sup>3</sup>

Taking into account the role of digitalization in promotion of economic growth, the SCO initiated the mechanism of conference meetings between heads of government departments and agencies responsible for development of information technologies in the SCO member countries. Russia declared that it was prepared to share with other SCO member countries its IT products and technologies, including those in 5G, big data, artificial intelligence and e-government services, as well as regulatory practices of introduction of digital innovations, such as the law on establishment of regulatory sandboxes for the purpose of lifting restrictions in respect of implementation of innovation projects.<sup>4</sup> The establishment of the SCO Pool of Technological parks proposed by Kazakhstans is expected to facilitate digitalization and building of the innovative ecosystem of the SCO member countries. Russia where at present the number of the existing technological parks, including those under development, amounts to 73 projects can make a substantial contribution to the Pool.

In 2021, the first meeting of energy ministers was held on the stalled energy track, <sup>6</sup> the draft Concept of cooperation of the SCO member countries in the energy sector was endorsed, relevant mechanisms of multilateral cooperation – the meetings of SCO energy ministers and the SCO Energy Club Working Group<sup>7</sup> were approved. Also, Russia proposed to hold ministerial consultations on decarbonizing the economy.

The SCO held the 2<sup>nd</sup> meeting of the heads of government departments and agencies responsible for protection of the environment; they reached an agreement

1 The SCO Interbank Association (IBA) was established in 2005 as a result of the decision of 2004 of the Council of the Heads of Governments (Prime Ministers) of the SCO Member Countries on establishment of the SCO Development Fund. Due to serious differences in approaches, Russia's proposal was taken to work on two lines: the Development Fund and the “banking pool” which was later transformed into the IBA. URL: [https://www.mid.ru/sanhajskaa-organizacia-sotrudnicestva-vos-/-/asset\\_publisher/0vp3hQoCPRg5/content/id/939476](https://www.mid.ru/sanhajskaa-organizacia-sotrudnicestva-vos-/-/asset_publisher/0vp3hQoCPRg5/content/id/939476)

2 The meeting of the Council of Heads of Governments of the SCO member countries. URL: <http://government.ru/news/43901/>

3 Ibid.

4 Maksim Reshetnikov: Russia is prepared to share its know-how in digital technologies with the SCO countries. URL: [https://economy.gov.ru/material/news/maksim\\_reshetnikov\\_rossiya\\_gotova\\_podelitsya\\_narabotkami\\_v\\_sfere\\_cifrovyyh\\_tehnologiy\\_so\\_stranami\\_shos.html](https://economy.gov.ru/material/news/maksim_reshetnikov_rossiya_gotova_podelitsya_narabotkami_v_sfere_cifrovyyh_tehnologiy_so_stranami_shos.html)

5 The meeting of experts of the SCO member countries on the draft Concept of establishment of the SCO's Pool of Technological Parks . URL: <http://rus.sectsc.org/news/20210225/722653.html>

6 The SCO Energy Club officially established as a consulting mechanism in 2013 failed to become a really effective institute. Coordination functions were assigned to the SCO Business Council.

7 Vladimir Nerov, SCO Secretary General: “The SCO space represents a giant market of energy reserves and their sources.” URL: <http://rus.sectsc.org/news/20210812/771511.html>

on the establishment of the Special Working Group on Environmental Issues and approved the action plan on implementation of the Concept of Cooperation in the Field of Environment in 2022–2024. The endorsement of the Green Belt program – the first regulatory document on the climate policy – put forward by Uzbekistan is expected to facilitate further cooperation in utilization and implementation of modern energy, resource efficient and environmentally clean technologies.

An important step was the SCO's support of Russia's initiative on establishment of the Greater Eurasian Partnership (GEP) with participation of the SCO member countries, the Eurasian Economic Union, the Association of South East Asian Nations (ASEAN), as well as other interested countries and multilateral associations in the interests of development of Eurasian space of broad, open, mutually beneficial and equal cooperation.<sup>1</sup>

The issues of regional security were as important as economic cooperation in the SCO's agenda. In the context of the US exit from Afghanistan and Taliban takeover, the SCO's common position plays an important role in provision of aid to prevent a humanitarian disaster in Afghanistan, support of the inclusive peace process there and building of Afghanistan as an independent, neutral, unified, democratic and peaceful country free of terrorism, war and drugs. It is planned to consolidate efforts of the SCO-Afghanistan Contact Group within the framework of the presidency of Uzbekistan in SCO in 2022.

So, the SCO succeeded in promoting its institutional development, expanding its membership,<sup>2</sup> establishing cooperation with partner-countries<sup>3</sup>, approving joint documents on digitalization, climate and energy, fighting trans-border epidemic diseases and overcoming negative socioeconomic implications of the COVID-19 pandemic. However, there are still differences on issues related to the establishment of the SCO financial institutions and much work is to be done on the development of the GEP concept with concrete parameters included. Taking into account Russia's interest in bolstering the SCO and creating GEP, it would be expedient to support the establishment of the SCO's Bank, which may become an important factor in negotiating modality of cooperation, Russia's resource of influence and the source of funding projects which are of priority to Russia in GEP.

#### 6.6.10. Cooperation with the EEU: development of the digital and climate agenda

The development and promotion of integration processes and cooperation within the scope of the Eurasian Economic Union is a priority of Russian foreign economic policy.

On May 21, the heads of the EEU member countries endorsed “The Main Guidelines of the Macroeconomic Policy in 2021–2022.” The document is aimed at facilitating the embarkment on the trajectory of advanced development with annual growth rates of 4.5%–5.5%.<sup>4</sup> Macroeconomic stability and investment

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1 Declaration on the SCO's Twentieth Anniversary. URL: <http://rus.sectscsco.org/politics/>

2 Iran initiated the procedure for joining the SCO.

3 Decisions were taken to grant the dialog partner status to Qatar, Egypt and Saudi Arabia.

4 The EEU established the main guidelines of the macroeconomic policy. URL: <https://eec.eaeunion.org/news/v-caes-opredelili-osnovnye-orientiry-makroekonomicheskoy-politiki/>

growth are the main goals of this policy. On this track, the EEU member countries discussed the development of the single payment area and the draft agreement on granting permission to brokers and dealers of one EEU member country to participate in trading in other EEU member countries, where national exchanges are granted the right to recognize brokers' and dealers' licenses issued in the EEU member countries and make it feasible for them to have access to trading in securities, as well as financial derivatives. Further, to facilitate harmonization of procedures for mutual recognition of securities issues and listing them on exchanges of the EEU member countries, a draft agreement was prepared on mutual access to securities placement and trading on stock exchanges of the EEU member countries.

In 2021, "green" economy issues were in the focus of the EEU's attention. Plans were announced to develop Eurasian low-carbon development programs; a high-level working group on narrowing of positions within the scope of the climate agenda was established; joint efforts to support the most vulnerable sectors of industry were taken; the bank of climate initiatives on presentation of government technologies developed in the EEU member countries was formed. In October 2021, the EEU made a statement on economic cooperation of the EEU member countries within the framework of the climate agenda. In that statement, the leaders of the EEU member countries stressed the importance of an international exchange and non-discriminatory utilization of technologies, supported the narrowing of approaches to the monitoring and verification of emissions and absorption of greenhouse gases and reciprocally acknowledged the mechanisms of circulation of carbon units and systems of electrical energy origin verification. The heads of the EEU member countries declared their intention to promote economic cooperation on the climate agenda following the single market principles. Also, the Eurasian Economic Commission (EEC) discussed the importance of starting joint research in hydrogen; it was noted that electrolizer-manufacturing joint-ventures can become prospective projects.

Within the scope of digital agenda, the EEU's first digital project – "Work without Borders"<sup>1</sup> – was launched. The EEC started its work on the international agreement on trans-border data exchange in the EEU. With this Agreement endorsed, common mechanisms will be created to protect the rights of data exchange participants and reduce companies' costs related to their entry to other countries' digital space; this will lead to the expansion of markets for innovative products from the EEU member countries. A high-level working group on digital transformation was established for work on the Agreement and development of approaches to the implementation of the EEU digital agenda priorities.

Within the framework of development of the common market, important breakthroughs included the approval of the plan of roaming cancellation in the EEU, the road map on e-commerce with the relevant regulatory framework

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<sup>1</sup> The EEU launched its first digital project "Work without Borders": [https://www.economy.gov.ru/material/news/v\\_eaes\\_zapushchen\\_pervyy\\_cifrovoy\\_proekt\\_rabota\\_bez\\_granic.html](https://www.economy.gov.ru/material/news/v_eaes_zapushchen_pervyy_cifrovoy_proekt_rabota_bez_granic.html). Other projects include the Eurasian network of industrial cooperation, subcontracting and transfer of technologies, ecosystem of digital transport corridors of the Eurasian Economic Union, as well as digital technical regulation within the framework of the Union.

envisaged, measures facilitating a free flow of goods and preventing unfair practices, networking with third countries and a package of documents for the pilot project in online e-trade in goods from abroad.

Overall, in 2021 Russia and the EEU's partners and institutions cooperated to promote integration and strengthen their positions on the global stage. The approval of the strategy on data exchange is an important prerequisite for development of digital markets in the EEU and enhancing their competitive edge; efforts should be intensified on this track. The development of the EEU's climate agenda is particularly important in the context of making action-oriented the Strategy of Russia' Development with Low Level of Greenhouse Gas Emissions. The EEU has to ensure the implementation of the Concept of Introduction of Green Economy Guidelines in 2023. A set of measures proposed by the Commission – building of the carbon regulation system, mutual recognition of carbon rules, unified methods of calculation of carbon footprint and carbon units, implementation of “cross-cutting” Eurasian investment-climate projects and abandoning of climate barriers in trade inside the EEU arising due to regulatory burden differences – will lay a foundation for cooperation and united response to common challenges.<sup>1</sup> The Commission is the main driver of the development of all processes in key areas, but its initiatives are not actively carried out by member countries. Thus, it is a key barrier to development and upgrading integration in the EEU. Enhancement of efficiency of networking between supranational and national levels is crucially important for the future of the EEU, its position in the international system and capacity, which its member countries gain within the framework of the EEU to pursue and promote their national interests.

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Despite an increasing trend towards the establishment of new rules and consolidation of the G7 leadership in the system of international institutions, Russia together with its BRICS and SCO partners succeeded in preventing further degradation of multilateralization and enhancing its role as a key global management participant. In the context of growing importance of digitalization and the climate agenda, as well as the G7's determination to take advantage of these issues in order to strengthen their positions in the global system of economic relations to cope with the risk of loss of influence, Russia will have to pursue a more active policy in key multilateral institutions. The implementation of national goals of digital transformation and low carbon development can become Russia's asset of influence in international cooperation in such areas as climate change, digital technology and the global system as a whole.

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<sup>1</sup> Analytical Report on “International Approaches to the Development and Introduction of the Principles, Measures and Mechanisms of “green” economy. URL: [https://eec.eaunion.org/upload/medialibrary/939/Doklad\\_Zelenaya\\_ekonomika\\_PDF\\_sayt.pdf](https://eec.eaunion.org/upload/medialibrary/939/Doklad_Zelenaya_ekonomika_PDF_sayt.pdf)

