

Section 5. Institutional changes

5.1. Public sector and privatization¹

5.1.1. Scale of state ownership

Publication of data according to the System of indicators to assess the effectiveness of state property management began in 2016 in compliance with the RF Government Decree of 29.01.2015 No. 72. This system has replaced monitoring of indicators of the public sector of the economy, conducted by Rosstat since the early 2000s based on the RF Government Decree of 4.01.1999 No. 1 (subsequently revised on 30.12.2002). It contains information about the number of federal state unitary enterprises (FSUE) and joint-stock companies (JSCs) with the RF participation in the capital, which are also published in the privatization programs for the next term.

The new edition of the “Forecast plan (program) of federal property privatization and focal points of federal property privatization” with shifting of its time limits from 2022–2024 to 2023–2025 allows to describe the processes that took place in the previous year (*Table 1*).

As of July 1, 2022, the Russian Federation was a shareholder in 578 JSCs, and the owner of the property of 352 FGUPs, 41 federal treasury enterprises (FTE) and 12,197 federal state institutions (FSI).

Compared to the similar data a year earlier, there was a reduction in the number of FSUE by 187 units (or 34.7%), JSC with state participation by 100 units (or 14.7%) and FSI by 952 units (or 7.2%). At the same time, the number of FTE and JSCs, where there is a special right to participate in the management of the “golden share” has increased by 1 unit. With regard to the latter category of business entities, growth was observed in H1 2022. It should be noted that this

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was preceded by a sharp decline in the use of this instrument of state participation in the corporate sector in 2021.

Table 1

Entities and organizations in federal ownership accounted in the register of federal property and the System of indicators to assess the effectiveness of state property management in 2010–2022

Date	Business entities with federal participation, units		Other owners of federal property accounting, units		
	stocks package (share) in the capital / of which JSC	special right to participate in the management of the “golden share” in the absence of a share ^a	FSUE	FTE	FSI
On January 1, 2010	3 066/2 950 ^b		3 517 ^b		
On January 1, 2013	2 356/2 337 ^b		1 800/1 795 ^b	72	20 458
On January 1, 2016	1 557/1 704 ^b	88/64 ^c	1 488/1 247 ^b	48	16 194
On April 7, 2016	1 683/1 620 ^d		1 236	48	16 726
On July 1, 2016	1 571	82	1 378	47	16 990
On January 1, 2017	1 356/1 416 ^e	81	1 245/1 108 ^e	48	16 846
On July 1, 2017	1 247	78	1 058	53	16 244
On January 1, 2018	1 189	77	984	50	15 985
On July 1, 2018	1 060	77	868	50	15 520
On January 1, 2019	1 084/1 130 ^b	76	792/700 ^b	48 ^f	15 140
On July 1, 2019	1 059	73	712	48	14 942
On January 1, 2020	989	67	672	48	14 576
On July 1, 2020	948	67	640	46	13 915
On January 1, 2021	756	67	581	44	13 681
On July 1, 2021	678	29	539	40	13 149
On November 25, 2021	691 ^g		498 ^g		
On January 1, 2022	646	25	409	41	12 300
On July 1, 2022	578	26	352	41	1 2197
On September 5, 2022	591 ^h		295 ^h		

^a Special right is not an accounting entity in the registry, but is mentioned in various materials of the Federal Property Management Agency;

^b Number of JSCs and FSUE according to privatization programs for the years 2010–2013, 2014–2016, 2017–2019 (the data on the distribution by OKVED refers to companies whose shares (interests) are in federal ownership) and 2020–2022 (the number of business entities).

^c According to report on the activity of the Federal Property Management Agency (Rosimushchestvo) for 2015.

^d In the numerator – the total number of legal entities, including CJSC and LLC, in the denominator – the number of blocks of shares and stakes (we can assume that the difference represents the number of JSCs where the “golden share” is used, but there is no direct indication).

^e According to report on the implementation of the forecast plan (programs) of privatization of the federal property for 2017–2019 in 2017.

^f According to the System of indicators to assess the effectiveness of state property management on the number of business entities owned by the state by organizational-legal forms (OLF) (792 companies on the right of economic management and 48 companies on the right of operational management (state-owned), while the distribution of economic activities (OKVED) and federal authorities in charge of FSUE (OKOGU), their total number is 821 units.

^g Number of business entities and FSUE according to privatization program for 2022–2024.

^h Number of business entities and FSUE according to privatization program for 2023–2025.

Sources: The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2011–2013; the forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2014–2016; URL: www.economy.gov.ru (April 23, 2013); Report on the activity of the Federal Property Management Agency for 2015; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2017–2019; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2020–2022; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2022–2024; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2023–2025; Statistical data on the System of indicators to assess effectiveness of management of the state property; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 7, 2022).

Given that dynamics of the number of subjects of the main organizational-legal forms of federal property, on a shorter time interval in H1 of 2022 it was as follows: the number of unitary enterprises dropped by 13.9%, JSC with state participation fell by 10.5%, state institutions reduced by 0.8%.

As of September 5, 2022, the Russian Federation owned property of 295 FSUE and was a shareholder (participant) in 591 economic entities. Comparing these values with the data on November 25, 2021, reflected in the privatization program for 2022–2024, it can be stated that in less than a year the number of FSUE decreased by more than 40%. When compared with the value on January 1, 2019 (700 FSUE), i.e. with the data of the initial version of the privatization program for 2020–2022, the reduction was 58%. The reduction of state participation in the corporate sector at the federal level has been more moderate over the previous year. By early fall 2022, it had declined by less than 15% in a partial year, although it was down nearly 48% from the beginning of 2019 (1,130 companies).

Refer now to a more significant category of economic companies with varying degrees of state participation¹ (*Table 2*).

Analysis of the Rosstat's data on the System of indicators for evaluation of state property management effectiveness shows that in the period between the middle of 2021 and the middle of 2022 a trend, which appeared about a year earlier, continued to emerge towards an increase in the proportion of JSCs, where the state as a shareholder could exercise full corporate control.² Their specific weight as of July 1, 2022 increased by more than 4.5 p.p. and amounted to 47.2% against 42.6% a year ago. The share of JSCs with federal blocking stakes dropped from 9 to almost 8%. In contrast, specific weight of all other companies whose shares are in federal ownership dropped almost by 4 p.p. (from 48.4% to 44.6%).

1 Previously, this group of companies could be more fully characterized by reports on management of federally owned shares of OJSC and use of a special right of participation of the RF in management of OJSC ("golden share") on the results of the next year, published from 2012 until recent years by the Federal Property Management Agency.

2 Based on the total number of JSCs with full and majority state-owned stakes.

Table 2

Dynamics in the number and structure of business entities (JSC and LLC) by size of the state's share in the capital (excluding JSCs using special golden share" right in the absence of a share) in 2016–2022

Date and source	Business entities (AO и ООО), where RF is a shareholder (participant)									
	total, units	share, %	Including with the size of the state share in the authorized capital							
			100%		50–100%		25–50%		less than 25%	
			units	%	units	%	units	%	units	%
RF Government (forecast privatization plans, FPP)										
On January 1, 2016 (FPP for 2017–2019)	1704 ^a	100.0	765	44.9	93	5.4	172	10.1	674	39.6
On January 1, 2019 (FPP for 2020–2022)	1130 ^b	100.0	368	32.55	30	2.65	95	8.4	637	56.4
On November 25 2021 (FPP for 2022–2024)	691 ^b	100.0	269	38.9	29	4.2	59	8.5	334	48.3
On September 5, 2022 (FPP for 2023–2025)	591 ^b	100.0	256	43.3	22	3.7	36	6.1	277	46.9
Rosstat (System of indicators to assess efficiency of management of the state property, only JSC)										
On January 1, 2016	1557	100.0	816 ^c		52.4 ^c		174	11.2	567 ^d	36.4 ^d
On July 1, 2016	1571	100.0	711 ^c		45.3 ^c		189	12.0	671 ^d	42.7 ^d
On January 1, 2017	1356	100.0	575 ^c		42.4 ^c		128	9.4	653 ^d	48.2 ^d
On July 1, 2017	1247	100.0	514 ^c		41.2 ^c		108	8.7	625 ^d	50.1 ^d
On January 1, 2018	1189	100.0	488 ^c		41.0 ^c		102	8.6	599 ^d	50.4 ^d
On July 1, 2018	1060	100.0	448 ^c		42.3 ^c		87	8.2	525 ^d	49.5 ^d
On January 1, 2019	1084	100.0	442 ^c		40.8 ^c		85	7.8	557 ^d	51.4 ^d
On July 1, 2019	1059	100.0	429 ^c		40.5 ^c		85	8.0	545 ^d	51.5 ^d
On January 1, 2020	989	100.0	387 ^c		39.1 ^c		74	7.5	528 ^d	53.4 ^d
On July 1, 2020	948	100.0	362 ^c		38.2 ^c		66	7.0	520 ^d	54.9 ^d
On January 1, 2021	756	100.0	318 ^c		42.1 ^c		60	7.9	378 ^d	50.0 ^d
On July 1, 2021	678	100.0	289 ^c		42.6 ^c		61	9.0	328 ^d	48.4 ^d
On January 1, 2022	646	100.0	299 ^c		46.3 ^c		54	8.4	293 ^d	45.3 ^d
On July 1, 2022	578	100.0	273 ^c		47.2 ^c		47	8.1	258 ^d	44.6 ^d

^a The number of JSCs according to FPP for 2017–2019 (the data on the distribution by OKVED refers to the number of companies whose shares (interests) are in federal ownership).

^b Number of business companies.

^c Total number of JSCs with a federal shareholding of over 50% (without singling out JSCs with full (100%) federal shareholdings) and their specific weight.

^d Estimated value based on the total number of JSCs data whose shares are in federal ownership and

the number of such JSCs by other categories based on the share in the authorized capital.

Sources: The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2017–2019; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2020–2022; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2022–2024; The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2023–2025; statistical data according to the System of indicators to assess effectiveness of the federal property management; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 7, 2022); own calculations.

When comparing data for September 2022 from the privatization program 2023–2025 with November 2021, one can state a slight reduction in the proportion of business entities with the state share in the capital of less than 25% (by 1.4 p.p.). Nevertheless, this group remains very numerous, accounting for about 47% of all companies with federal stakes. The same is the share of companies where the state as a shareholder could exercise full corporate control. Their share increased by almost 4 p.p., mainly due to the share of companies with a full (100%) federal block of shares. The intermediate position was occupied by a small group of companies with a blocking (from 25 to 50% of the capital) state-owned stake, whose share decreased by 2.4 p.p. to 6.1%.

When considering the data on the System of indicators to assess the effectiveness of the state property management, not limited to the federal level, we get the following picture (*Table 3*).

Table 3

Number of organizations in the public sector of economy accounted by the Federal Property Management Agency, its territorial directorates and state property management agencies of the Russian Federation in 2013–2014 and the number of economic entities in the state sector of economy in 2016–2022 (based on data from state registration) by organizational/legal forms

Date	Total	State Unitary Enterprises including treasury enterprises	Government institutions	Business entities with the authorized capital more than 50% of shares (stakes) are in the ownership of business entities belonging to the state sector of the economy	
				in the state ownership	in the ownership of business entities belonging to the state sector of economy
On January 1, 2013	67 003 ^a	4 891	5 6247	3 501	2 364
On July 1, 2013	66 131 ^a	4 589	5 6100	3 201	2 241
On January 1, 2014	64 616 ^a	4 408	5 4699	3 097	2 412
On July 1, 2014	63 635 ^a	4 236	5 4173	2 988	2 238
On January 1, 2016	65 587 ^b	4 284	56 693/56 649 ^c	3 888 ^d	...
On July 1, 2016	65 218 ^b	3 982	56 893/56 856 ^c	3 673 ^d	...
On January 1, 2017	64 457 ^b	3 719	56 548/56 507 ^c	3 532 ^d	...

Date	Total	State Unitary Enterprises including treasury enterprises	Government institutions	Business entities with the authorized capital more than 50% of shares (stakes) are in the ownership of business entities belonging to the state sector of the economy	
				in the state ownership	in the ownership of business entities belonging to the state sector of economy
On July 1, 2017	62 655 ^b	3 294	55 414/55 361 ^c	3 353 ^d	...
On January 1, 2018	61 734 ^b	3 053	54 851/54 814 ^c	3 239 ^d	...
On July 1, 2018	60 391 ^b	2 763	53 933/53 899 ^c	3 125 ^d	...
On January 1, 2019	59 608 ^b	2 608	53 394/53 360 ^c	3 054 ^d	...
On July 1, 2019	58 839 ^b	2 366	52 901/52 870 ^c	2 972 ^d	...
On January 1, 2020	57 903 ^b	2 225	52 207/52 176 ^c	2 864 ^d	...
On July 1, 2020	56 909 ^b	2 050	51 474/51 445 ^c	2 787 ^d	...
On January 1, 2021	56 288 ^b	1 917	51 076/51 026 ^c	2 713 ^d	...
On July 1, 2021	55 204 ^b	1 792	50 138/50 110 ^c	2 672 ^d	...
On January 1, 2022	53 763 ^b	1 610	48 939/48 912 ^c	2 627 ^d	...
On July 1, 2022	53 013 ^b	1 426	48 433/48 407 ^c	2 583 ^d	...

^a Including organizations lacking specific types in their founding documents, which have passed state registration, but without joint stock companies with more than 50% of their shares (stakes) in joint state and foreign ownership.

^b Including business entities with an organizational-legal form other than unitary enterprises, state institutions and business companies (production (artels) and consumer cooperatives, associations (unions), associations of property owners, foundations, public-law companies, etc.).

^c Number of institutions set up by the Russian Federation and RF regions (excluding state academies of sciences and private institutions, which in the new System are attributed to institutions, but should be excluded;

^d Total number of business entities irrespective of the size of the state-owned stake (share), data on the number of business entities with a controlling block of shares owned by the state are available only for JSCs whose shares are in federal ownership.

Sources: On the development of the public sector of the economy of the Russian Federation in 2012 (p. 7–11) in H1 2013 (p. 7–11), 2013 (p. 7–11) in H1 2014 (p. 7–11). M.: Rosstat, 2013–2014; Statistical information on the indicators of effectiveness of the federal property management; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 7, 2022).

The total number of state-owned business entities, according to the new system, was 53.000 units by mid-2022, down about 2.200 units (or 4%) from a year earlier and about 10.600 units from mid-2014.¹

A reduction can be noted in the number of unitary enterprises by 366 units (or more than 1/5), business associations – by 89 units (or 3.3%), government agencies – about 1.700 units (or 3.4%) for certain categories of business entities compared to the middle of 2021.

¹ The latest bulletin on the development of the public sector of the economy was issued for January–September 2014, but the semiannual data as of July 1, 2014 are also good enough for the medium-term analysis.

Considering dynamics on a shorter time interval, in H1 2022, there was a reduction in the number of unitary enterprises by 11.4%, business companies by 1.7%, state institutions by 1%.

5.1.2. Privatization policy

The implementation of the Forecast Plan (Program) of privatization of the federal property and focal points of privatization of the federal property in 2022-2024 approved by the RF Government Edict No. 3993-r of 31.12.2021 was launched in the previous year. It should be reminded that this document resulted from amendments introduced into the Rules of elaboration of forecast plans (programs) of privatization by RF Government Decree No. 1401 of 23.08.2021. It stated that in 2022 the terms of the start and the end of realization of the three-year privatization program of 2020–2022 in force at that time were shifted by 2 years, i.e. de facto its new time interval shall be the period of 2022–2024.

As with the previous privatization program, numerous amendments and additions were made to the current document. In total, from the moment of approval of the Forecast Plan (program) of federal property privatization and the focal points of federal property privatization for 2022–2024 there were 27 respective normative legal acts against 22 in 2021 and 15 in 2020.

Among the changes worth mentioning are those approved by the RF Government Edict of 24.08.2022 No. 2417-r.

In the context of improving the efficiency of the privatization program implementation a personal responsibility of officials of federal executive bodies (FEBs) was established for the activities on the completion of registration with regard to property rights of FSUE. For this purpose, the Federal Property Management Agency based on proposals of its territorial offices and FEBs should approve action plans and schedules and ensure their implementation in respect of their subordinate enterprises.

There was a mention that not less than two bidding procedures have to be organized within a calendar year in respect of shares (stakes) of the companies included in the list of JSCs and LLCs with shares (stakes) in federal ownership are to be sold in 2022–2024, and in respect of property items included in the list of other property to be privatized during this period, as well as personal responsibility of officials of the Federal Property Management Agency for implementation of the above measures to be approved.

As a result of changes introduced in late summer 2022, the text of the document does not contain references to the achievement of key goals and objectives set out in the State Program of the Russian Federation “Public Finance Management and Regulation of Financial Markets”, approved by the RF Government Decree No. 320 of April 15, 2014 (Subprogram 6 “Federal Property Management”), as well as to improvement of federal property management mechanisms in accordance with Section XII of the Concept for Improving Efficiency of Budget Spending in 2019–2024 approved by the RF Government Edict No. 117-r of 31.01.2019.

In reality, by the end of 2022 only Makhachkala Commercial Seaport remained in the list of major companies to be privatized based on special decisions of the

RF President and the RF Government with regard to the market situation and recommendations of leading investment consultants (Section I of the privatization program) after excluding Almazylirexport Foreign Economic Association and VTB Bank (PAO) and transferring it to the next privatization program.

Thus, in 2022 privatization was conducted only in accordance with standard procedures. Finally, stocks of shares (shares in authorized capitals) of 54 economic entities, including one privatized by a special government decision of 2020 were sold and decisions on conditions of privatization of 62 FSUE approved (Table 4).

Table 4

Comparative data on dynamics of the privatization of federal state unitary enterprises, federal blocks of shares and objects of the state treasury of the Russian Federation in 2008–2022

Period	Number of privatized enterprises (objects) of federal property (according to Rosimushchestvo)		
	Privatized FSUE ^a , units	Sold blocks of shares of JSC, units.	Sold treasury facilities, units
2008	213	209 ^b	...
2009	316+256 ^c	52 ^b	...
2010	62	134 ^b	...
2008–2010	591+25 ^c	395 ^b	... ^f
2011	143	317 ^e /359 ^b	3
2012	47 ^f	265 ^e	40
2013	26	148 ^e	22
2011–2013	216	730 ^e	65
2014	33	107 ^e	12
2015	35 ^g	103 ^e	38
2016	60 ^g	179 ^e	282
2014–2016	125 ^g	389 ^e	332
2017	69	47	77
2018	4	46	173
2019	8	51	171
2017–2019	81	144	421
2020	16	23 ^h	312 ^h
2021	64	55	393
2022	62	54	223
2020–2022	142	132	928

^a All preparatory activities have been completed and decisions on the conditions of privatization made.

^b Taking into account blocks of shares including the announcement of their sale that took place in the previous year.

^c Number of FSUE for which the decision on corporatization was taken by the RF Ministry of Defense in addition to those where a similar decision was taken by the Federal Property Management Agency.

^d Available information on the sale of the facilities of other property in the specified period comes down to the sale of 4 facilities of the released immovable military property from October 2008 till January 2009, and also on the adoption of decisions on conditions of privatization and publication of information reports on the sale of facilities at the end of 2010 with results of their auctions made in 2011.

^e Excluding stock sales using help of investment advisors.

^f Calculated value is based on the report of the Federal Property Management Agency on fulfillment of the forecast plan (Program) of federal property privatization of 2011–2013 on the total number of FSUE, for which in 2011–2013 orders were issued on the conditions of privatization through conversion into JSC (216 units) and the data on the results of 2011 and 2013.

^g In respect of several enterprises decisions on privatization conditions were cancelled in 2015–2016 and adopted repeatedly, so the total number of FSUE, for which privatization decisions were adopted over 3 years separately, is somewhat higher than in the table data on results of 2014–2016 (125 units).

^h Taking into account blocks of JSCs and treasury facilities sold under the previous privatization program.

Sources: Report on the Rosimuschestvo activity in 2008; Report on the implementation of the forecast plan (program) of privatization of the federal property for 2009. M., 2010; Report of the Ministry of economic development on results of privatization of the federal property in 2010; Report of the Ministry of economic development on results of privatization of the federal property in 2011; Report on the implementation of the forecast plan (program) of privatization of the federal property for 2011–2013; The Rosimuschestvo reports on implementation of the forecast plan (program) of the federal property privatization for 2014–2016 in 2014, in 2015, in 2016; The Rosimuschestvo reports on implementation of the forecast plan (program) of the federal property privatization for 2017–2019 in 2017, in 2018, in 2019; The Rosimuschestvo report on implementation of the forecast plan (program) of the federal property privatization for 2020–2022 in 2020; The Rosimuschestvo report on implementation of the forecast plan (program) of the federal property privatization for 2020–2022 in 2021; The Rosimuschestvo report on implementation of the forecast plan (program) of the federal property privatization for 2022–2024 in 2022; URL: <http://rosim.gov.ru>.

Number of privatized unitary enterprises and sold blocks of shares (stakes in authorized capitals) of economic entities remained practically at the level of 2021, when after the failure in the first pandemic year it was possible to reach values exceeding or comparable to those relating to the period of the privatization program in 2017–2019.

Financial results were also exceedingly favorable. According to the Federal Treasury, the proceeds from sale of shares and other forms of participation in the capital owned by the federal government amounted to Rb7.8 bn at the end of the previous year, which exceeded twice the set budget target and the forecast of revenues in the privatization program for 2020–2022. Compared with 2021, the revenues increased by Rb2.53 bn. It was the maximum for the whole period of 2017–2022 leaving behind the results of the previous crisis years (2008 – about Rb6.7 bn, 2009 – about Rb2.0 bn, 2015 – about Rb6.3 bn).

The top three largest assets sold in 2022 included blocks of shares of JSC “Industrial Park Odintsovo-1” (Moscow Region)¹ (100%, Rb1,428.5 mn), “Zvezda Reductor” (St. Petersburg, mechanical engineering) (93.7%, Rb1,238.5 mn), “Electronic Trading and Security” (ETB, St. Petersburg) (100%, Rb401 mn).

Blocks of shares of 4 other JSCs were sold for no less than Rb200 mn, 4 out of 7 mentioned assets were sold by JSC “Auction House of the Russian Federation” (hereinafter JSC “RAD”), 1 by JSC “Direct Investments Agency.”² In total, independent sellers conducted 143 out of 185 bidding procedures for business entities (or more than 77%).

1 The main type of activity is leasing own space (production buildings, office premises, industrial warehouses).

2 Another 2 assets were sold by the Central Office of the Federal Property Management Agency, including the sale of JSC Pro-industrial Park Odintsovo-1.

The terms of agency agreements concluded between the Federal Property Management Agency and agents based on the results of selecting legal entities, which in accordance with the RF Government Edict perform functions of a seller in respect of blocks of shares (stakes) of economic companies included in the privatization program, have expired last year. Due to the expiration of the contracts and additional agreements it is logical to evaluate the performance of sellers of federal property in the previous two years.

JSC "RAD" played the main role. It conducted the alienation of shares (stakes) of 164 economic entities from the federal property under 3 agreements. However, only 71 entities (about 43%) actually managed to complete the transfer of ownership rights. Even taking into account 8 companies whose information notices on their sale have been published until December 31, 2022 and the ongoing privatization procedures in 2023, it can be stated that less than a half of the assets intended for this purpose have been sold.

With respect to 32 companies (19.5%), taking into account the expiration of the agency agreement, privatization activities are conducted by the Federal Property Management Agency, while with respect to 6 companies (3.7%) privatization activities have been canceled or suspended. However, a larger number of companies (46 units, or 28%) turned out to be unavailable for sale due to exclusion from the privatization program or preparatory measures for exclusion. If they are not accounted, the RAD JSC managed to sell about 60% of the entire array of assets intended for alienation.

The activity of other sellers complemented the efforts of the JSC "RAD" only to a small extent. The Agency of Direct Investments JSC succeeded in transferring the rights in respect of 10 out of 16 business entities (or 62.5%). One more company was sold by Rosimushchestvo. Taking into account the expiration of the agency contracts, the agency conducts privatization measures in respect of another 10 companies (5 companies from the number intended for sale to JSC Direct Investments Agency and Investment and Financial Company Solid, which has not realized any transactions).

New geopolitical situation forced to radically revise the access of independent agents to the organization of privatization process. By RF Government Edict No. 1100-r of May 4, 2022, the organizations possessing the share of direct or indirect participation of foreign investors in capital exceeding 50%, were excluded from the list of legal entities approved in 2010 for organizing sales on behalf of the Russian Federation of the privatized federal property and (or) acting as a seller. Finally, only 7 organizations remained out of 23, including Arowana Capital JSC which replaced VTB Capital. However, at the same time they got a wider range of activities, because in the new wording it concerns the list of legal entities for sale of all privatized state or municipal property, not only federal property.

Returning to the most significant transactions of the previous year, it can be noted that with regard to alienation of full (100%) block of shares of JSC "ETB" the Russian government issued a separate Decree dated 06.04.2022 No. 767-p, which was due to its specialization (sale of property in bankruptcy proceedings and seized property on the electronic platform), as well as management of real estate.

The sale was conducted by RAD JSC. The sale and purchase agreement concluded with Automated Information System of Trading LLC (AIST LLC) obliges it to fulfill the obligations listed in the document within 3 (three) years from the date of transfer of the property right to the shares of ETB JSC: (1) modernization of fixed assets and software used by the company to support its activities, namely an increase in the company's server capacity by at least 20% of the existing ones; (2) ensuring growth in the company's revenue from its activities related to the sale of debtors' property in the course of electronic procedures used in bankruptcy and (or) the sale of seized property by at least 10% annually compared to the previous year's figure; (3) maintaining business profile for the sale of debtors' property in electronic procedures applied in bankruptcy and (or) for the sale of seized property. It is not only the control of the Federal Property Management Agency (up to the termination of the contract), which is the guarantee to fulfill the conditions, but also payment of a fine in favor of the state in the amount of 10% of the share for each fact of violation of the obligations by the purchaser.

Similar government edicts were adopted in relation to the full (100%) shares of JSC "Publishing House "High School" and "Order of the October Revolution, the Order of the Red Banner of Labor "First Exemplary Printing House" (hereinafter – JSC "POT").

According to the first one, RAD takes measures to assess the market value of the block of shares and prepare a report on the material conditions of the transaction, including, inter alia, maintaining the profile of the said company, containing the proposals of JSC RAD on possible buyers of shares and their proposals regarding the price and other conditions of the transaction for the alienation of shares. With regard to the POT JSC block of shares, evaluation was completed aimed to conduct an auction for sale of the block of shares of this business entity.

Meanwhile, in reality there are negative examples of fulfilling the conditions stipulated by the decisions of the government by buyers of privatized property.

Thus, in the course of controlling measures after alienation of the full (100%) federal block of shares of JSC "Publishing house "Detskaya literatura" for 2021, Rosimushchestvo has revealed systematic violations by the buyer LLC "IKomInvest" of essential conditions established by the RF Government Edict of 6.02.2018 No. 169-r. In this respect, Rosimuschestvo filed a legal claim to the Arbitration Court of Moscow demanding to oblige the purchaser to return the block of shares of JSC "Publishing House "Detskaya Literatura" into federal ownership.¹

At present, Rosimuschestvo continues to exercise control over the compliance of Yug-Businesspartner LLC (the buyer) with the terms and conditions of the RF Government Edict dated 31.08.2020 No. 2211-r on alienation of the federally owned block of shares of Adler Stud Trout Breeding Farm JSC. However, the Government Edict does not provide for Rosimuschestvo even the right to demand termination of the contract, as in the cases of JSC ETB and POT.²

1 The main activity is the provision of own space for rent (production buildings, office space, industrial warehouses).

2 Another 2 assets were sold by the Central Office of the Federal Property Management Agency, including the sale of Odintsovo-1 Industrial Park JSC.

In contrast to the privatization of JSC companies (economic entities) and results of the two previous years, more modest results were achieved by selling the property of the state treasury of the Russian Federation. As regards this category of assets, the powers to conduct privatization measures were fully delegated to the territorial bodies of Rosimushchestvo.

The number of facilities sold constituted 223 units vs 393 and 312 in 2021 and 2020, respectively. Despite the reduction by more than 43% compared to 2021, it exceeded the number of sold blocks of shares (stakes) by more than 4 times. According to the operative data of the Federal Treasury, the amount of transfers to the federal budget was about Rb0.94 bn comparable to results of 2020 (Rb0.9 bn.) and 2021 (Rb1.03 bn.). In accordance with the Rosimushchestvo Order No. 258 dated December 17, 2021 on measures to implement the law on the federal budget for 2022–2024, the revenues under this item were planned in the amount of Rb168,175,700. Thus, the percentage of the implementation of the plan task at the end of the year amounted to 560%.¹

Negative dynamics in the sale of assets under construction (hereinafter – AUC) can serve as a vivid illustration of the situation with the privatization of treasury property.

Out of 32 objects of federal property (board lots) comprising 52 AUC included in the privatization program, 16 facilities (half) comprising 33 AUC (63.5%) were sold, which is 3–4 times less than a year before. For comparison: in 2021 it was possible to sell 47 facilities (about 84% of the total number included in the FPP) within 121 AUC (more than 90%).

Another feature of privatization of the treasury property in 2022 was the active work of Rosimushchestvo in respect of confiscated property resulted from corruption offenses and transferred into federal ownership in accordance with court decisions. In November-December 2022, 10 out of 41 board lots with such real estate facilities (land plots and non-residential premises) were sold at open auctions. According to abstract 3, item 17, Article 46 of the RF Budget Code, the income from the sale of corrupted property shall be credited to the budget of the Pension Fund of the Russian Federation.

As in previous years, only part of the privatized federal property is of interest to potential investors. Nevertheless, the sales success rate in terms of the ratio of number of sold assets and conducted tenders, was comparable to the indicators of the previous year and amounted to 28.6% for blocks of shares (stakes) and 30.1% for treasury facilities against 30.7% and 28.4% respectively for 2021.

When comparing results achieved within three-year interval of 2020–2022 with results of implementation of the privatization program in 2017–2019, a 2.2-fold increase in the number of sold treasury facilities and privatized FSUEs by more than 1.7 times can be noted, whereas the number of sold blocks of shares (stakes) in economic entities was somewhat lower (by about 8%). In 2023 results

¹ Report of Rosimushchestvo on fulfillment of the Forecast Plan (Program) of federal property privatization for 2022–2024 in 2022; Report of Rosimushchestvo on fulfillment of the Forecast Plan (Program) of federal property privatization for 2020–2022 in 2021; Report of Rosimushchestvo on fulfillment of the Forecast Plan (Program) of federal property privatization for 2020–2022 in 2020.

on announced sales in respect of 17 business entities and 65 treasury facilities should be summed up.

In order to expand informing of potential buyers under implementation of changes introduced into Section I of the Privatization Program by RF Government Edict No. 2417-r of 24.08.2022, Rosimuschestvo created departmental pages on Avito, CYAN and Domklik websites.

Links are posted on the official website of Rosimushchestvo in the section “Current sales of federal property”. The departmental web site was improved to provide more user friendly access to the information on the federal property to be privatized by means of transition on current sales to the official website of the Russian Federation on the Internet (URL: www.torgi.gov.ru) and placement of the list of the treasury property, for which privatization measures are conducted and which are planned for privatization, in the section “Other Property Planned for Privatization” of the section “Privatization”.

Likewise, to increase the efficiency of realization of the privatization program, to improve transparency of privatization procedures and additional marketing of privatized property, Rosimushchestvo and its territorial bodies hold “investment hours” to inform potential buyers about current and planned sales of federal property.

In 2022 in the course of implementation of 23 Executive Orders of the President of the Russian Federation and 27 RF Government Edicts on establishment/expansion of vertically integrated structures (VIS) the Rosimuschestvo took measures to form 12 VIS. By the end of the year the respective decisions on conditions of privatization were taken in respect of two FSUE, 52 JSC and 403 treasury facilities. Among the integrated structures expanded in 2022, there are state corporations (SC) Rostec and Roscosmos, Almaz-Antey Aerospace Defense Corporate Group JSC, Tactical Rocket Arms Corporation, United Shipbuilding Corporation, Marine Instrumentation Corporation, Krymenergo, RusHydro, Main Center for Reproduction of Agricultural Animals, Russian Railways, Russian Post, Kavkaz. RF”, VTB Bank (PAO), JSC “Transinzhtstroy.”

The RF Government Edict No. 3718-r of 2.12.2022 approved a new version of the forecast privatization plan (program). De facto it is a new privatization program for 2023–2025.

Compared with a similar document for 2022–2024, the text has undergone minimal adjustments. Now it does not mention the FSUE inclusion in the privatization plan, marked currently by restrictions on privatization, so as to transform these enterprises into joint stock companies after removing restrictions on their privatization in the prescribed manner. However, it should be noted that changes approved by RF Government Edict No. 2417-r of 24.08.2022 remained in force.

In terms of the quantity, in 2023–2025 it is planned to complete privatization of 23 FSUE and government enterprises, 160 business entities (including stakes in 9 limited liability companies), as well as 28443 objects of other property of the RF Treasury. These values differ significantly from those contained in the privatization program for 2022–2024.

However, if the number of commercial organizations included in the program was visibly reduced (FGUP by 3.6 times, business associations by 28%), the number of privatized facilities of other RF treasury facilities in FPP 2023–2025 was 25 times more. As it follows from the report of Rosimuschestvo on fulfillment of the forecast plan (program) of privatization of federal property in 2022–2024, their major part (27 887 units or 98%) is to be contributed to the authorized capital of integrated structures, and in respect of 27 455 units the Ministry of Defense of the Russian Federation is responsible for contribution of the state to the authorized capital of JSC Oboronenergo.¹ Thus, it is possible to sell only about 550 state treasury facilities of the Russian Federation. Taking into account the dynamics of privatized assets in other categories, it can be assumed that the content of the new privatization program reflected the need to use the property owned by the state on a larger scale than it was imagined before the spring of 2022.

As for the revenues to the federal budget from privatization of federal property excluding the cost of shares of the largest companies holding leading positions in respective sectors of economy, they will amount in 2023–2025 to Rb1.5 bn annually.

The projected annual volume of revenues is about 1.7 times as much as the amount stated in the Forecast Plan (Program) of privatization for 2022–2024 (approved by RF Government Edict No. 3993-r of 30.12.2021), i.e. Rb0.9 bn for 2023. For comparison: the initial version of the privatization program 2020–2022 provided for annual revenues of Rb3.6 bn (the later version for 2022 amounted to Rb3.9 bn).

It is difficult to assess the feasibility of the forecast of privatization revenues under the new economic and political situation, especially beyond the year 2023. It should be taken into consideration that the specified annual amount of budget revenues does not include the funds potentially obtained in the course of transactions with shares of major companies privatized applying special decisions of the RF President and the RF Government with regard to the market conditions and recommendations of the leading investment consultants.

Like in the previous privatization program, in 2023–2025 it is planned to terminate the state participation in the authorized capital of JSC Makhachkala Commercial Seaport, while in relation to JSC Almazyuvelirexport Foreign Economic Association such perspective was not mentioned anymore,² as well as the reduction of state participation in the authorized capital of VTB Bank (PAO) to 50% plus one ordinary registered share. If the FPP 2022–2024 in the context of major companies occupying a leading position in the relevant industries, allowed to transform 3 FSUE and state-owned enterprises (“National Fishery Resources”,

1 The RF Government Edict of 20.05.2022 No. 1265-r determines the list of property planned to be contributed to the charter capital of Oboronenergo JSC as payment for additional shares placed by this JSC in connection with growth in its charter capital. These shares are transferred into federal ownership as part of the property of the Russian Armed Forces, which is managed by the Russian Ministry of Defense.

2 The possibility of the state withdrawal from Almazyuvelirexport in FPP 2022–2024 was allowed after the transfer of its authority to export precious metals and gems and sell representative batches of rough diamonds to another authorized agency.

Amur Plant “Vympel”, “Space Communications”) into JSCs if the RF President takes a decision on their exclusion from the list of strategic organizations, the new privatization program until 2025 planned corporatization only of the enterprise “National Fish Resources”.

This year, substantial changes were made to the current Privatization Law of 2001. First of all, the possibility to privatize property beyond the privatization program, which had been discussed for a long time, was finally implemented.

With the aim to accelerate the speed of involvement in economic turnover of immovable and movable property of the state treasury not demanded by the state for the performance of its functions, the RF Government received the right to establish the procedure for formation and approval of the list of federal property not included in the forecast plan (program) of privatization for a planned period, as well as introduction of changes to the above list.

The list of federal property to be privatized without inclusion in the privatization program shall be approved by the federal executive authority (FBEA) authorized by the Government of the Russian Federation for a period from 1 to 3 years. Such list specifies the characteristics of federal property subject to privatization and its expected timing. However, this authority cannot be delegated to the FBEA empowered to exercise the functions of privatization of federal property.

The criterion for including property (except for shares and stakes in charter capitals of business companies as well as property to be contributed to charter capitals of JSCs) in the above list is its market value determined in accordance with legislation of the Russian Federation on appraisal activities. It shall not exceed Rb100 mn. In this respect, the principle of integrity and unity of facilities is established and division (splitting) is not allowed.

The introduction of the mentioned cost criterion (Rb100 mn) caused the differentiation of requirements to the deposit for participation in the main privatization procedures.

When selling at auction, by tender and through public offering the bidder pays a deposit of 20% of the initial price specified in the information message on the sale of state or municipal property, amounting to Rb100 mn or more. If the starting price is less than Rb100 mn, the amount of the deposit is reduced by half to 10%. In the previous version this value was the same, amounting to 20% of the initial price. A document record serves as a document confirming the receipt of the deposit specified in the information notice.

With regard to selling at auction, it is established that bids on the price of state or municipal property are declared by participants of the auction openly in the course of bidding. According to results of the auction an agreement is concluded with the winner of the auction. If only one person, recognized as the only participant of the auction, applied for participation, the contract is concluded with him/her at the starting price. Previously, an auction where only one participant participated was recognized as failed. Now this becomes possible only if the person recognized as the only participant of the auction refuses to conclude a contract. Notification on recognizing a participant of the auction the winner or the only participant of the auction shall be sent on the auction closing day.

Introduction of such categories as property privatized beyond the privatization program and the person recognized as the sole participant in the auction in the new version, resulted in addition of several rules to the law on privatization (the content of the report on results of privatization of federal property submitted to Parliament, information support of privatization, specifics of privatization of the concession facilities and river ports, payment of remuneration to legal entities organizing sales or performing the functions of the seller. For the latter, it becomes possible to sell not only at auction or by public offering, but also at a competition, as well as through the implementation of the prerogative right to purchase in cases prescribed by law.

Another innovation concerning privatization in electronic form was the obligation of the seller and the electronic platform operator to ensure the confidentiality of information about bidders and participants of the sale, except for information posted for the privatization information support.

Development of innovations related to privatization beyond the privatization program, the RF Government Decree of 22.09.2022 No. 1673 adopted the Formation and Approval Rules of the list of federal property privatized without including in the forecast plan (program) of privatization of federal property for a planned period, as well as changes to this list.

The Ministry of Finance of the RF has been approved as the authorized FEB, which assigns the Rosimushchestvo a task to draw up a draft list of respective property to be privatized according to a new scheme.

By analogy with the rules of forming the privatization programs to be approved by the Government of the Russian Federation, the draft of the above list includes proposals for amendments to the current list in part:

- a 1-year shift in the start and end dates of its planning period;
- exclusion of property which privatization has been completed;
- addition of facilities, which privatization is possible in the planned period mentioned in the list.

In the course of its formation, the proposals of federal executive bodies, public authorities of the federal territory Sirius, legal entities and individuals received by Rosimushchestvo are taken into account.

The Agency should present a draft of the list to the Ministry of Finance of the Russian Federation in a special form not later than November 15 of the year preceding the scheduled period of the list, attaching extracts from the Unified State Register of Real Estate (USRN) and the register of federal property in respect of its facilities to be included in the list, as well as other documents in accordance with the task to prepare a project.

To confirm the market value of the facilities to be included in the list, the link to the Internet for access to the report on the assessment of its market value, prepared in accordance with the legislation of RF on valuation activities, is posted on the information resource specified for posting the information contained in the Unified State Register of Real Estate on the facts of legal entities activities, in accordance with the Valuation Act in RF of 1998 (No. 135-FZ).

The list shall be approved by the Ministry of Finance of the Russian Federation not later than 10 working days before the beginning of the planned period of its validity. Further, within 7 working days from the date of signing of the respective order of the Ministry of Finance the Federal Property Management Agency places the list on the official website in the Internet to inform on privatization of state and municipal property in accordance with the law on privatization as well as on the official website of the Agency.

The report on the results of privatization of the federal property included in the list for the accounting year shall be placed on the same information resources no later than 10 working days from the date of its submission to the Ministry of Finance (before February 1). The Agency in its turn should submit to the government of the Russian Federation a report on the results of privatization of the above property in the accounting year not later than February 15. It should be reminded that according to the law on privatization, the government shall submit to parliament a report on the results of privatization of federal property for the previous year annually not later than May 1, including facilities privatized beyond the forecast plan (program).

A special form of the report specifying the number of facilities included in the list, proceeds to the federal budget, number of facilities for which the auction was held, have been approved. The number of actually privatized facilities should be given in a breakdown of the 5 main methods of privatization with an indication of the amount of sales prices, and for auctions, tenders and through public offering also the amount of initial bidding prices should be indicated.¹

Evaluating the considered innovations regarding privatization beyond the privatization program, one can note the following.

First, prerequisites for simplification and acceleration of sale of a large number of low value and limited liquidity facilities without regard to their inclusion in the forecast privatization plan were established due to: (1) halving the size of the deposit for the sale of property with a market value of up to Rb100 mn, (2) exclusion of the regulation on the failure of the auction if there was one participant and the property was sold to him at initial cost. Regional investors, including representatives of small business and individual entrepreneurs are usually called addressee of such measures. However due to the universal nature of innovations their role as an additional incentive to participate in the tenders is not obvious for the mentioned economic entities.

Second, selection of the value threshold the amount of Rb100 mn for the sale of federal property beyond privatization program raises questions.

Proceeding from the data of the budget reporting on revenues of the federal budget from privatization of property owned by the RF in the part of non-financial assets of the Treasury and Rosimushchestvo information on its sale, the average price of one treasury facility sold in 2020–2021 was in the range of Rb2.5–3.0 mn, having slightly increased in 2022 (Rb4.2 mn). It seems that the application of a new scheme, at least at the initial stage, requires a certain approbation, and

1 The amount of initial prices is not specified for the sale without a price announcement and in the order of the preferential right (including small and medium-sized businesses).

this, based on the practice of the last 3 years, implies the use of a value much smaller than the established bar with its gradual increase, taking into account the accumulation of real experience and the current inflation.

Third, it is quite logical that the possibility of privatizing beyond the forecast plan (program) of privatization is still limited to the federal level, excluding shares and stakes in the charter capitals of business companies, as well as property to be contributed to the charter capitals of JSCs. At the same time, it looks rather controversial to allow privatization beyond the privatization program of such categories of property as facilities of the concession agreement, a river port.

Fourth, it should be noted that introduction of a regulation providing possibility to conclude a contract for the sale of property with a person recognized as the only bidder inevitably weakens the competitive basis of privatization.

In the previous format, the offer to sell the facility proposed for sale by public offering was the result of a failed auction, which potentially allowed the expansion of the circle of participants in a new cycle of trading with the theoretical possibility of increasing the price. However, in reality it happened very seldom.¹ The budget, on the other hand, faced a loss of profit, since the basic scheme of this method of privatization represents bidding on the lowering of the initial offer price with a cut-off price, i.e. the minimum bid price at which state or municipal property can be sold equal to 50% of the initial price of the failed auction.

The possibility of concluding an agreement for the sale of property with a person recognized as the only bidder at the auction, naturally gives priority to this method of privatization², which makes the secondary methods marginal (sales through public offering and without an announced price).

Fifth, the role of the Ministry of Finance in the implementation of privatization policy continued to grow. However, despite the formal exclusion of FEB empowered to exercise the functions of privatization of the federal property from the approval of the list of property to be privatized outside the privatization program, in practice the role of the Rosimuschestvo under the new scheme turns out to be more than visible. In turn, this reduces the burden on the Government of the Russian Federation, contributing to the concentration of its efforts to address more significant issues.

The list of federal property to be privatized without being included in the privatization program for the years 2023–2025 approved for the first time by the Ministry of Finance Order of 15.12.2022 No. 553 contains 151 board lots (273 facilities), including 18 board lots (about 12%) of confiscated property acquired through corruption offenses, converted into federal ownership in accordance with court decisions.

1 If several participants in the sale through public offering confirm the price of the initial offer or the offer price formed on one of the "steps of decrease", the auction is held with all participants under the established rules of its conduct, which provide for an open form of submitting proposals for the price of property. The initial price of state or municipal property in such an auction is the initial bid price or the bid price formed at this "step down".

2 For the first time the auction was recognized as valid with the presence of a single participant in the sale of 100% of shares of JSC "Gimetpostavka" for Rb395.000 by JSC "Russian Auction House" at the auction. URL: <http://rosim.gov.ru> (28.09.2022).

Another block of innovations in the law on privatization relates to the state participation in joint-stock companies (JSC).

There was a modification of the format of using the special right of participation in the management (“golden share”) in relation to JSCs.

Previously, such a decision could be made to ensure the national defense capability and state security, protection of morals, health, rights and legitimate interests of citizens during the privatization of property complexes of unitary enterprises, the decision to exclude JSC from the list of strategic organizations regardless of the number of shares owned by the state.

The new version supplements the range of such situations with a case when the RF Government made a decision on alienation of federally owned shares of JSCs of strategic importance for national defense and state security in accordance with the Law of 2008 “On Procedures for Foreign Investment in Business Entities of Strategic Importance for National Defense and State Security” (No. 57-FZ), if the federal block of shares in such companies will be less than 25% plus 1 share as a result of such alienation.

The changes governing the contribution of property to the share capital of joint stock companies are critical.

Now 100% of shares of another JSC may be contributed by the Russian Federation to the charter capital of a JSC with 100% of shares in federal ownership. Previously this was not possible, as the Law on joint-stock companies 1995 (No. 208-FZ) prohibited a company from having as its sole founder (shareholder) another business company consisting of one person, unless otherwise established by federal law. During the construction of integrated structures, this norm contributed to preserving single shares in federal ownership, which assisted to excessive dispersion of capital, creating an illusory impression of the capacity of federal agencies to influence the management processes by means of a single share.

It has also been established that privatization of 100% of federally owned shares of the main JSC, which owns 100% of shares of the subsidiary JSC, may be conducted only where the main company terminates its participation in the subsidiary or ceases to be its sole shareholder. This new norm is designed to ensure proper management of integrated structures by the state, contributing to coordination of property and industrial policy.

Moreover, the abundant list of property categories, alienation of which is not covered by the law on privatization is supplemented by weapons, ammunition, military and special equipment, spare parts, components and devices, explosives, blasting supplies, powders, all kinds of rocket fuel, as well as special materials and special equipment for their production, special equipment of paramilitary organizations, normative and technical supplies for their production. In this case the influence of the involvement of the country in the armed conflict is quite obvious.

5.1.3. The state participation in the economy and issues of public sector management

Changes in the list of strategic enterprises and joint-stock companies were relatively few.

In 2022 it included 5 FSUE and 2 JSC. At the same time, 13 FSUE and 2 JSC were excluded from the list of strategic organizations. Almost all of the excluded enterprises (except for one)¹ are to be transformed into joint-stock companies followed by transfer of 100% of their shares to Rostec State Corporation as an asset contribution from the state.

It should be noted that along with 2 FSUE it also concerns the transformation of 10 federal treasury enterprises into joint-stock companies, which seems to be quite radical, because having a specific industry affiliation (the ammunition and special chemistry industry), they bypass the stage of being in the organizational and legal form of a unitary enterprise on the right of economic management.

In a pair of excluded JSCs there is “Roskartografia”, which after the merger of 22 JSCs is subject to accession to the public-law company (PLC) “Roskadastr”. Another JSC included in the list of strategic organizations quite recently (in the spring of 2022) is excluded due to the inclusion of all of its shares in the charter capital of Transinzhstroy JSC. Accordingly, the threshold of state corporate control in this organization is increased from 38% to 50.3%.

Throughout the year, the expansion of a number of integrated structures continued, including the United Shipbuilding Corporation (USC), Center for Livestock Reproduction (CLR), Russian Railways, Oboronenergo, Russian Post, KAVKAZ.RF and Rostec State Corporation.

The majority of the blocks of shares contributed to their authorized capitals are minority ones (in a number of cases these are single shares). Examples of few exceptions are the transfer of 100% of shares of 1 JSC to Rostec State Corporation in addition to the above unitary and state enterprises subject to corporatization, and the contribution to the charter capital of the CLR of all (except one) shares of JSC “Training and experimental dairy plant” of the Vologda State Dairy Academy named after N.V. Vereshchagin (trademark – “Vologda butter”).

It should be recalled that corporatization of this enterprise with attempts to sell it in 2015–2016 was the subject of serious friction between the federal center and the regional administration relying on the negative public perception of its privatization.

Strengthening of the state’s position in the banking sector should be underlined.

Initially, it is about concentration of assets in VTB Bank (PAO), the second most important bank in Russia.

First, all 100% shares of the Russian National Commercial Bank (RNKB, Simferopol), which after 2014 was the main link of the domestic banking system in Crimea after its reunification with Russia, will be contributed to its authorized capital when most Russian banks refuse to operate in the region due to the sanctions pressure. The prerequisite is that the RNCB retains its status as a legal entity.

¹ Transferred into FSUE.

Second, at the end of the year, the VTB completed its acquisition of 100% of Otkrytie Bank, which has been rehabilitated since 2017 by the Central Bank of Russia. The transaction amounted to Rb340 bn with more than a third (about Rb107 bn) being paid in federal loan bonds (OFZ).¹

Also, in connection with growth of Promsvyazbank share capital, 100% of the shares of JSC Moscow Industrial Bank have been accepted into the treasury of the Russian Federation from the State Corporation (SC) “Deposit Insurance Agency” by reducing to that amount the property contribution of the Russian Federation, made into the property of SC “Deposit Insurance Agency” in accordance with the budget law for 2008–2010, are transferred as the state contribution.

Withdrawal of foreign companies from Russia resulted in strengthening of the state position in the automotive industry as well. The share of French company “Renault” in CJSC “Renault Russia” (100%) was transferred to the Moscow Government and renamed from CJSC “Renault Russia” to JSC “Moscow Automobile Plant “Moskvich”. The recipient of Renault’s stake in AvtoVAZ (67.7%) was the Central Automotive and Motor Vehicle Research Institute NAMI. In both cases it is about selling assets at a symbolic price with a buy-back option, allowing the former owners of the assets to get them back within 5–6 years.²

Mentioning the management mechanism of public sector organizations, one can note the following innovations.

The RF Government Decree of 10.04.2002 No. 228, which regulates the procedure for approval of FSUE activity programs, was amended covering the transfer of profits to the federal budget.

By analogy with innovations in dividend policy for JSC having federal shareholdings adopted in 2021, the definition of net profit is differentiated depending on the application of International Financial Reporting Standards (IFRS).

If the legislation of the Russian Federation does not require the company to prepare consolidated financial statements in accordance with IFRS, aimed to identify part of the profit of the enterprise to be transferred to the federal budget, the net profit for the previous year calculated according to the accounting (financial) statements prepared in accordance with the Federal Law “On Accounting” is accepted without the profit recognized as:

- incomes and expenses associated with the recognition (recovery) of losses from the depreciation of fixed and intangible assets, as well as their write-offs (except for write-offs associated with the sale);
- the difference between the valuation of financial investments at current market value at the reporting date and their previous valuation;
- incomes and expenses associated with difference in the rate of exchange.

If the legislation of the Russian Federation does require the company to prepare consolidated financial statements in accordance with IFRS aimed to identify part of the profit of the enterprise to be transferred to the federal budget, profit for the previous year calculated according to the consolidated accounting (financial)

1 URL: www.rbc.ru

2 Ibid.

statements prepared in accordance with the Federal Law “On Accounting” is accepted without the profit recognized as:

- incomes and expenses associated with the recognition (recovery) of losses from the depreciation of fixed and intangible assets, as well as their write-offs (except for write-offs associated with the sale);
- incomes and expenses associated with the change of fair cost of financial assets determined according to IFRS;
- incomes and expenses associated with the difference in the rate of exchange;
- profits or losses that have been allocated to non-controlling interests in a business entity determined in accordance with IFRS, during the reporting period.

A similar approach is used when an entity prepares consolidated financial statements in accordance with IFRS in the absence of a respective obligation.

For all these situations, if the amount to be transferred to the federal budget exceeds the amount of net profit as determined by the accounting (financial) statements of such enterprise, retained earnings are used for the transfer.

The minimum rate approved in 2018 for transferring profit remaining at the enterprise after payment of taxes (mandatory payments), financing the implementation of activities to develop the enterprise approved as part of its program for the current fiscal year, and mandatory contributions to the enterprise funds (at least half of the adjusted profit of the enterprise for the previous year, unless otherwise established by acts of the RF Government).

However, there is a direct indication that transfer to the federal budget less than 50% of the adjusted profit of the enterprise, which has obtained the status of a state scientific center of the Russian Federation with proper justification, possibly based on the acts of the RF Government providing for reduction of the calculated profit by the amount of actual documented expenses connected with updating of the material and technical base and formation of the scientific-technical reserve for creation of new competitive technologies.

Likewise, the RF Government Decree of 03.12.2004 No. 739 dedicated to powers of federal executive bodies (FBEA) in exercising rights of the owner of the FSUE property, was amended with regard to decisions that provide for the transfer to the federal budget of part of the enterprise's profit.

A laconic wording appeared that this refers to the authority of the federal executive bodies in respect of subordinate FEB, including those under the privatization program.

The previous edition in this part was more verbose, describing profit (excluding income and expenses from the revaluation of companies' shares traded on the securities market and corporate income tax related to these income and expenses), to which the minimum bar of transfer (not less than 50%) was applied after reduction by the amount of costs for the implementation of measures to develop the company approved in the program of its activities.

For enterprises obliged to prepare financial statements, including consolidated one, the same threshold applied under IFRS indicating that this is the net profit

determined according to such statements (without indicating the items of expenses that reduce its value).

Another small innovation concerns attestation of the FSUE executives. Previously, setting up the attestation commissions for enterprises subordinate to federal executive bodies (FBEA) under jurisdiction of federal ministries was the exclusive prerogative of the ministries. The new version stipulates that the respective commissions may be set up by FEB on their own, however, agreed with the ministries.¹

In the context of management of economic entities with state participation, the Ministry of Finance of Russia was authorized to exercise on behalf of the state (by agreement with the Ministry of Construction of Russia) the rights of a shareholder in ordinary registered uncertified shares of JSC DOM.RF acquired at the expense of the National Welfare Fund (NWF). As in the case of Aeroflot (since 2021), the general Regulation on the procedure for management of federally owned shares in JSCs and use of the special right of the Russian Federation to participate in management of Joint Stock Companies (“golden share”) approved by the RF Government Decree No. 738 dated December 3, 2004 does not apply to management of the above shares.

5.1.4. Budgetary effect of state property policy

In 2022, in contrast to the previous year, federal budget revenues, in one way or another related to state property, showed obvious growth, especially in terms of revenues from the use of state property (from renewable sources). Payment of dividends by companies with state participation as a derivative of profit growth played principal role, which, in turn, was largely determined by increased revenues from energy exports due to rising energy prices and the impact of domestic inflation. Revenues from privatization and property sales (from non-renewable sources) grew insignificantly.

Below (*Tables 5, 6*) are the data on revenues from the reporting on the execution of the federal budget in terms of using state property and its sale only for a certain range of material objects.²

1 It does not apply to attestation of the FSUE executives subordinate to FBEA, whose activities are managed by the President of the RF or the Government of the RF. For this group of companies, the attestation commissions are formed by these bodies.

2 Revenues from the federal budget received as payments for natural resources (including water biological resources, income from the use of forests and subsoil use), compensation for agricultural production losses associated with the removal of agricultural land, as a result of financial operations (income from the placement of budget funds (income from the federal budget balances and from their placement, since 2006 also income from the management of the Stabilization Fund of Russia) are not considered (Reserve Fund and National Welfare Fund since 2009), income from placement of amounts accumulated in the course of auctions for the sale of shares owned by the Russian Federation), interest received from granting budget loans within the country at the expense of the federal budget, interest on state loans (receipts from foreign governments and their legal entities in payment of interest on loans extended by the Russian Federation, receipts from legal entities, (enterprises and organizations), RF regions, municipal structures in payment of interest and guarantees on credits received by RF from governments of foreign countries and international financial organizations)), from provision of paid services or compensation of state expenditures, transfer of profit to the Central Bank, some payments from state and municipal enterprises and organizations (patent duties and registration fees for

In contrast to previous years, the laws on the execution of the federal budget for 2015–2020 do not contain aggregate data on the codes of types, subtypes of revenues, classification of operations of the public administration sector related to budget revenues (they are given only by classification codes in the context of administrators of revenues). Therefore, we used data from the annual reports on the execution of the federal budget as of January 1, 2016, 2017, 2018, 2019, 2020, 2021 and operational as of January 1, 2022.

Table 5

**Federal budget revenues from using state property (renewable sources)
in 2000–2022, Rb mn**

Year	Total	Share dividends (2000–2022) and other equity income (2005–2022)	Rent for state-owned land	Income from renting out state-owned property	Income from transferring part of the profit remaining after taxes and other obligatory payments of FSUE	Revenues from other sources (2000–2007 and 2011) – from joint venture Vietsovpetro activities and 2018–2022 – from transfer of property in pledge, trust management
2000	23 244.5	5 676.5	–	5 880.7	–	11 687.3 ^a
2001	29 241.9	6 478.0	3 916.7 ^b	5 015.7 ^c	209.6 ^d	13 621.9
2002	36 362.4	10 402.3	3 588.1	8 073.2	910.0	13 388.8
2003	41 261.1	12 395.8		10 276.8 ^e	2 387.6	16 200.9
2004	50 249.9	17 228.2	908.1 ^f	12 374.5 ^g	2 539.6	17 199.5
2005	56 103.2	19 291.9	1 769.2 ^h	14 521.2 ⁱ	2 445.9	18 075.0
2006	69 173.4	25 181.8	3 508.0 ^h	16 809.9 ^j	2 556.0	21 117.7
2007	80 331.85	43 542.7	4 841.4 ^h	18 195.2 ⁱ	3 231.7	10 520.85
2008	76 266.7	53 155.9	6 042.8 ^h	14 587.7 ⁱ	2 480.3	–
2009	31 849.6	10 114.2	6 470.5 ^h	13 507.6 ⁱ	1757.3	–
2010	69 728.8	45 163.8	7 451.7 ^h	12 349.2 ⁱ	4 764.1	–
2011	104 304.0	79 441.0	8 210.5 ^h	11 241.25 ^j	4 637.85	773.4

official registration of computer programs, databases and integrated circuit topologies and other income, which until 2004 inclusively were part of payments from state organizations (except income from joint venture Vietsovpetro since 2001 and transfer of profit of FSUE since 2002)), income from the sale of production sharing agreements (PSAs), income from the disposal and sale of confiscated and other property converted to state ownership (including that transferred to state ownership through inheritance or donation, or treasures), income from lotteries, other income from using property and rights in federal ownership (income from the disposal of rights to intellectual property (R&D and technological works) of military, special and dual-use purposes, income from the disposal of rights to the results of scientific and technical activities owned by the Russian Federation, income from the operation and use of road property, a fee from the passage of motor vehicles registered in other states, the exclusive right of the Russian Federation to the results of intellectual property in the field of geodesy and cartography, payment for the use of spatial data and materials that are not objects of copyright contained in the federal fund of spatial data and other receipts from the use of property owned by the Russian Federation), as well as from the permitted activities of organizations, credited to the federal budget, receipts from the sale of state reserves of precious metals and precious stones.

Year	Total	Share dividends (2000–2022) and other equity income (2005–2022)	Rent for state-owned land	Income from renting out state-owned property	Income from transferring part of the profit remaining after taxes and other obligatory payments of FSUE	Revenues from other sources (2000–2007 and 2011) – from joint venture Vietsovpetro activities and 2018–2022 – from transfer of property in pledge, trust management
2012	228 964.5	212 571.5	7 660.7 ^k	3 730.3 ^l	5 002.0	–
2013	153 826.25	134 832.0	7 739.7 ^k	4 042.7 ^l + 1 015.75 ⁿ	6 196.1	–
2014	241 170.6	220 204.8	7 838.7 ^k	3 961.6 ^l + 1 348.5 ⁿ	7 817.0	–
2015	285 371.1	259 772.0	9 032.3 ^k	5 593.8 ^l + 1 687.8 ⁿ	9 285.2	–
2016	946 723.35/ 254 328.3 ⁿ	918 969.1 226 574.1 ^o	9 412.4 ^k	5 843.25 ^o + 3 026.7	9 471.9	–
2017	275 168.2	251 327.0	9 825.1 ^k	5 318.4 ^q + 2 857.7 ^m	5 840.0	–
2018	333 396.13	312 565.8	9 783.0 ^k	1 988.6 ^q + 2 922.6 ^m	6 136.0	0.13
2019	465 974.25	441 620.4	12 051.65 ^k	1 290.4 ^q + 3 239.2 ^m	7 616.9	155.7
2020	451 764.45	422 667.6	10 498.7 ^k	7 655.3 ^o + 2 509.2 ^m + + 28.8 ^p	8 404.7	0.145
2021	36 4721.3	339 493.2	12 806 ^k	1 207.7 ^o + 3 615.4 ^m + + 24.1 ^p	7 572.4	2.481
2022	777988.7	753 471.6	13 827.3 ^k	1 209.3 ^o + 3 494.8 ^m + + 876.4 ^p	5 077.9	31.4

^a According to the Ministry of property relations of the Russian Federation, the law on the execution of the federal budget for the year 2000 did not specify a separate column, while it was the amount of payments from state enterprises (Rb 9887.1 mn) (without any specific components).

^b The amount of rent (i) for agricultural land and (ii) for urban and settlement land.

^c The amount of incomes from lease of property assigned to (i) research organizations, (ii) educational institutions, (iii) healthcare institutions, (iiii) state museums, state cultural and art institutions, (iiiii) archival institutions, (iiiii) Ministry of Defense of the Russian Federation, (iiiii) organizations of the Ministry of Railways of the Russian Federation, (iiiii) research service organizations of academies of sciences with the state status, and (iiiii) other incomes from lease of state-owned property.

^d According to the Ministry of property relations of the Russian Federation, the law on the execution of the federal budget for the year 2001 did not specify a separate column, the value coincided with the value of other income in payments from state and municipal organizations.

^e Total amount of incomes from leasing out state-owned property (without the allocation of land rents).

^f Amount of rent (i) for urban and settlement lands and (ii) for federally owned lands after the delimitation of state land ownership.

^g Amount of incomes from leasing out property assigned to (i) scientific organizations, (ii) educational institutions, (iii) health care institutions, (iiii) state cultural and art institutions, (iiiii) state archival institutions, (iiiii) postal institutions of federal postal service of the RF Ministry of digital development, communications and mass media of the Russian Federation and (iiiii) other incomes from leasing out federally owned property.

^h Lease payment after the delimitation of state ownership of land and funds from sale of the right to conclude lease agreements for federally owned land (excluding land plots of federal autonomous (2008–2011) and budget (2011) institutions).

ⁱ Incomes from renting out property in the operational management of federal government bodies and relatively established institutions and in the economic management of FSUE: transferred for operational management to (i) research institutions having state status, (ii) institutions of research service of the Russian Academy of sciences and sectoral Academies of sciences, (iii) educational institutions, (iiii) healthcare institutions, (iiiii) federal postal institutions of the Federal

Communications Agency, (iiiiii) state cultural and art institutions, (iiiiiii) state archival institutions, and (iiiiiiii) other income from renting out property located in the operational management of federal government bodies and respectively established institutions and in the economic management of FSUE¹ (for 2006–2009 without income from permitted activities and use of federal property located outside the RF territory, received abroad, which were not specified in the previous years²).

^j Incomes from renting out property in the operational management of federal government bodies and relatively established institutions (except for autonomous and budgetary institutions): transferred for operative management to (i) research institutions, (ii) institutions of research service of the Russian Academy of sciences and sectoral academies of sciences, (iii) educational institutions, (iiii) healthcare institutions, (iiiii) state cultural and art institutions, (iiiiiii) state archival institutions; (iiiiiiiiiii) in the operational management of the Ministry of Defense and its subordinate institutions (2010), (iiiiiiiiiii) in federal ownership managed by the Presidential Affairs Department (2010) according to the Edict, and (iiiiiiiiiii) other incomes from renting out property in the operational management of federal government bodies and their established institutions (without income from permitted activities and use of federal property located outside the RF territory, received from abroad).

^k Rent after the demarcation of state ownership of land and funds from sale of the right to conclude lease agreements for federally owned land (except for land plots of federal budget and autonomous institutions), as well as (i) rent for land plots located within the right-of-way of federally owned public highways (2012–2022),

(ii) payment from the implementation of agreements on establishment of easements over the land within the right-of-way of public highways of federal importance for the construction (reconstruction), overhaul and operation of road service facilities, laying, relocation, rebuilding and operation of utilities, installation and use of advertising structures (2012 and 2014–2022), (iii) payment under agreements to establish easements over federally owned land plots (2015–2022), (iiii) amount of unreasonable gains for using federally owned land with the right to dispose them is granted to federal government agencies in accordance with Russian legislation (2020–2022), (iiiiii) payment for public easement, as provided for by the decision of the authorized body to establish public easement over land plots owned by federal government agencies (2020–2022), (iiiiiii) payment received under the agreement for granting the right to locate and operate a non-stationary trading facility, install and use advertising structures on federally owned land or land plots whose state ownership is not demarcated (2022).

^l Incomes from renting out property under the operational management of federal government bodies and their relatively established institutions (except for budgetary and autonomous institutions): transferred under the operational management of: (i) research institutions, (ii) educational institutions, (iii) healthcare institutions, (iiii) state institutions of culture and art, (iiiiii) state archival institutions; (iiiiiii) other income from renting out property operationally managed by federal government agencies, (iiiiiiiiii) federal government agencies, the Bank of Russia and authorities managing state non-budgetary funds of the Russian Federation, (iiiiiiiiiii) federal government agencies (2015 only) (without income from use of federal property located outside the Russian Federation received abroad).

^m Income from leasing out property constituting part of the treasury of the Russian Federation (excluding land plots).

ⁿ Excluding funds received from the sale of Rosneft shares (Rb692.395 bn) (excluding payment of interim dividends).

^o Data for 2016–2022 are presented in aggregated form without distinguishing groups of institutions by industry. The generalized classification includes only 2 categories of income depending on the recipient of income from leasing (federal government agencies, the Bank of Russia and management bodies of state non-budgetary funds of the Russian Federation and federal treasury institutions).

^p Amount of unreasonable gains for using property (excluding land plots) in federal ownership with the right to dispose in accordance with Russian law is granted to federal government agencies.

Sources: Federal budget execution laws for 2000–2014; Federal budget execution reports as of January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021 annual); URL: <http://roskazna.gov.ru>; Report on the execution of the RF consolidated budget

1 In 2008–2009, FSUE are not mentioned as a source of income from renting out property in their economic management, and renting out property in the operational management of federal government bodies and their relatively established institutions excludes the property of federal autonomous institutions.

2 In the years 2008–2009, FGUPs are not mentioned as a source of income from renting out property in their economic management, and renting out property in the operational management of federal government bodies and institutions created by them excludes the property of federal autonomous institutions.

and budgets of state extra-budgetary funds as of January 1, 2022; URL: <http://budget.gov.ru>; Preliminary report on the execution of the federal budget as of January 1, 2023; Federal Treasury; own calculations.

Cumulative income from renewable sources more than doubled in 2022 compared with the previous year, amounting to about Rb778 bn.

This was mainly due to the payment of dividends to the budget (Rb753.5 bn), which rose 2.2-fold against the indicator of 2020 (Rb339.5 bn), exceeding the previous maximum of 2019 (Rb441.6 bn). At the same time, transfers of part of profits by unitary enterprises decreased by 1/3. In terms of their absolute value (Rb5.1 bn), they were comparable to the 2012 level.

The cumulative revenues from leasing out federal property increased by more than 15% (up to Rb5.6 bn). This was mainly due to a radical increase in payments of amounts of unreasonable gains for using property (excluding land plots) in federal ownership with the right to manage in accordance with RF legislation is vested in federal government bodies (from Rb24.1 mn to Rb876.4 mn or more than 36 times). Revenues from renting out property owned by the treasury of the Russian Federation (excluding land plots) decreased by 3.3% (to Rb3.5 bn), while revenues from renting out property located in the operational management of federal government bodies and their established institutions (excluding budget and autonomous institutions) remained at the level of 2021 (Rb1.2 bn). The amount of budget revenues from land lease increased by nearly 8% (about Rb13.8 bn).¹

Dividends accounted for the lion's share (about 97%) in the overall structure of federal budget revenues from renewable sources, the same as a year earlier, increasing by 4 p.p. as compared with 2021. Due to this, the specific weight of all other sources decreased by 2–3 times: the share of land lease payments was 1.8% (3.5% a year ago), property lease payments – 0.7% (1.3% a year ago), profits transferred by FSUE – 0.6% (2.1% a year ago).²

1 As in the previous year, the amount of income from land rent includes income received in the form of rent for land located in the right-of-way of public highways of federal importance, which are in federal ownership (Rb7.5 mn), payment from the implementation of agreements on the establishment of servitudes in respect of land in the borders of the right-of-way of public highways of federal importance for the purposes of construction (reconstruction), overhaul and operation of road service facilities, laying, transfer, rebuilding and operation of utilities, installation and operation of advertising structures (Rb38.6 mn), payment under agreements on establishment of easements concluded by federal executive authorities, state enterprises or institutions in respect of land plots owned by the federal government (Rb160.7 mn), as well as payment for public easements to be allocated from 2021, stipulated by the decision of the authorized body to establish a public easement with regard to land plots owned federally (except for land plots that are owned federally and the exercise of the powers of the Russian Federation to manage and dispose of which is delegated to state authorities of RF regions) and not granted to individuals and legal entities (except for state authorities (state bodies), local governments (municipal bodies), management bodies of state extra-budgetary funds and government agencies) (Rb0.5 mn), the amount of unreasonable gains for using federally owned land plots with the right to manage in accordance with Russian legislation was granted to federal government bodies (Rb252.2 mn), as well as the fee received for the first time under the contract for the right to locate and operate a non-stationary trading facility, installation and operation of advertising structures on land or land plots owned by the federal government and on land or land plots whose state ownership is not demarcated (Rb22.9 mn). The data for 2020–2021 are recalculated taking into account amounts of unreasonable gains for using land plots.

2 In the classification of federal budget revenues from the use of property in recent years a new source has appeared – the funds received from the transfer of federally owned property (excluding

Referring to the analysis of federal budget revenues from privatization and sales of state property (*Table 6*), it should be noted that since 1999 revenues from sales of the main part of such assets (shares, and lands in 2003–2007)¹ have been treated as sources of financing of its deficit.

Table 6

**Federal budget revenues from the privatization and sale of property
(non-renewable sources) in 2000–2022, million rubles**

Year	Total	Sale of shares in the federal ownership (2000–2022) and other forms of participation in the authorized capital (2005–2022) ^a	Sale of land plots	Sale of various property (excluding movable property of budgetary and autonomous enterprises, as well as property of state unitary enterprises, including treasury)
2000	27 167.8	26 983.5	–	184.3 ^b
2001	10 307.9	9 583.9	119.6 ^c	217.5 + 386.5 + 0.4 (HMA) ^d
2002	10 448.9	8 255.9 ^e	1967.0 ^f	226.0 ^g
2003	94 077.6	89 758.6	3 992.3 ^h	316.2 + 10.5 ⁱ
2004	70 548.1	65 726.9	3 259.3 ^j	197.3 + 1364.6 + 0.04 (HMA) ^k
2005	41 254.2	34 987.6	5 285.7 ^l	980.9 ^o
2006	24 726.4	17 567.9	5 874.2 ^p	1 284.3 ^p
2007	25 429.4	19 274.3	959.6 ^o	5 195.5 ^d
2008	12 395.0	6 665.2 + 29.6	1 202.0 ^q	4 498.2 + 0.025 (HMA) ^r
2009	4 544.1	1 952.9	1 152.5 ^q	1 438.7 ^r
2010	18 677.6	14 914.4	1 376.2 ^q	2 387.0 + 0.039 (HMA) ^r
2011	136 660.1	126 207.5	2 425.2 ^q	8 027.4 ^r
2012	80 978.7	43 862.9	16 443.8 ^q	20 671.7 + 0.338 (HMA) ^r
2013	55 288.6	41 633.3	1 212.75 ^q	12 442.2 + 0.310 (HMA) ^r
2014	41 155.35	29 724.0	1 912.6 ^q	9 517.7 + 1.048 (HMA) ^r
2015	18 604.1	6 304.0	1 634.55 ^q	10 665.5 + 0.062 (HMA) ^r
2016	416 470.5	406 795.2	2 112.7 ^q	7 562.6 + 0.012 (HMA) ^r
2017	21 906.7	14 284.5	1 199.6 ^q	6 421.3 + 1.3 (HMA) ^r
2018	28 252.0	12 787.5	1 660.6 ^q	13 803.7 + 0.2 (HMA) ^r
2019	20 129.3	11 527.5	1 647.5 ^q	6 954.3 ^r
2020	27 961.5	12 570.7	3 235.5 ^q	11 247.2 + 1.9 (HMA) ^r + 906.2 ^s
2021	20 265.85	5 272.0	2 455.6 ^q	11 492.4 ^r + 1 045.85 ^s
2022	20 642.7	7 792.5	1 733.9 ^q	10 173.5 ^r + 942.8 ^s

^a The amount of Rb29.6 mn in 2008 (according to the data of the Report on the Federal Budget Execution as of January 1, 2009) is treated as a source of internal financing of the federal budget deficit, but is not included in the law on the Federal Budget Execution for 2008.

^b Proceeds from the privatization of state-owned organizations attributable to the sources of internal financing of the federal budget deficit.

^c Income from the sale of land plots and lease rights to state-owned land plots (with the allocation of those in which privatized enterprises are located), attributable to federal budget revenues.

the property of federal budgetary and autonomous institutions, as well as the property of federal state unitary enterprises, including state ones), in pledge, in trust management. However, its role in the structure of income from renewable sources was insignificant (Rb31.4 mn).

1 In 2003–2004 including the sale of right for rent.

^d The amount of revenues from (1) the sale of federally owned property attributable to sources of internal financing of the federal budget deficit, (2) revenues from (i) the sale of apartments, (ii) the sale of state production and non-production funds, transport facilities, other equipment and other tangible assets, and (3) revenues from the sale of intangible assets (IA) attributable to federal budget revenues.

^e Including Rb6 mn from sales of shares in the ownership of RF regions.

^f Revenues from the sale of land and intangible assets, the amount of revenues from which was not separately allocated, attributable to federal budget revenues.a.

^g Proceeds from the sale of state-owned property (including Rb1.5 mn from the sale of property owned by constituent entities of the Russian Federation) attributable to the sources of internal financing of the federal budget deficit.

^h Includes proceeds: (1) from sale of land plots on which real estate located prior to alienation in federal ownership, credited to the federal budget, (2) from the sale of other land plots, as well as from the sale of the right to conclude lease contracts, (3) from the sale of land after the differentiation of land ownership, as well as from the sale of the right to conclude lease contracts, credited to the federal budget, referred to the sources of internal financing of the federal budget deficit.

ⁱ The amount of (1) proceeds from the sale of federally owned property attributable to sources of internal financing of the federal budget deficit, and (2) proceeds from the sale of intangible assets attributable to federal budget revenues.

^j Includes proceeds: (1) from the sale of land plots prior to the delimitation of state ownership of land on which immovable property located prior to alienation in federal ownership, which are credited to the federal budget, (2) from sale of other land plots, as well as from sale of the right to conclude agreements on their lease, (3) from sale of land plots after demarcation of land ownership, as well as from sale of the right to conclude agreements on their lease, enrolled in the federal budget, attributable to the sources of internal financing of the federal budget deficit.

^k The amount of (1) proceeds from the sale of federally owned property attributable to the sources of internal financing of the federal budget deficit, (2) proceeds (i) from the sale of apartments, (ii) from the sale of equipment, vehicles and other tangible assets credited to the federal budget, (iii) from the sale of ship recycling products, (iiii) from the sale of property of FSUE, institutions and military property, (iiiii) from the sale of weapons, military equipment and ammunition recycling products, (3) income from the sale of intangible assets (IA) attributable to the federal budget revenues.

^l Includes proceeds: (1) from sale of land plots before division of state ownership of land on which real estate located before alienation in federal ownership, (2) from the sale of land plots after division of state ownership of land, credit to the federal budget, (3) from the sale of other land plots owned by the state before the delimitation of state ownership of land and not designated for housing construction (the latter clarification applies only to 2006), attributable to the sources of financing of the federal budget deficit.

^m Revenues from sale of tangible and intangible assets (net of federal budget funds from the disposal and sale of confiscated and other property converted to state revenue) include revenues (i) from the sale of apartments, (ii) from the sale of FSUE property, (iii) from the sale of property in the operational management of federal institutions, (iiii) from the sale of military property (iiiii) from the sale of recycled products from weapons, military equipment and ammunition, (iiiii) from the sale of other federally owned property, (iiiii) from the sale of intangible assets, attributable to federal budget revenues

ⁿ Income from sale of tangible and intangible assets (excluding income in the form of the state's share of profitable production under production sharing agreements (PSAs) and federal budget funds from the disposal and sale of escheat, confiscated and other property turned over to the state) includes income (i) from the sale of apartments, (ii) from the sale of the FSUE property, (iii) from sale of property in the operational management of federal institutions, (iiii) from sale of military property, (iiiii) from sale of products of the utilization of weapons, military equipment and ammunition; (iiiii) income from sale of other property in federal ownership, attributable to federal budget revenues.

^o Proceeds from sale of land plots after the delimitation of land ownership, which are in federal ownership, attributable to the sources of financing the federal budget deficit.

^p Revenues from sale of tangible and intangible assets (excluding revenues in the form of the state's share of profitable production under production sharing agreements (PSAs) and federal budget funds from the disposal and sale of escheat, confiscated and other property converted to state revenue, funds from sale of sequestered wood) include income (i) from sale of apartments, (ii) from sale of the FSUE property, (iii) from sale of property in the operational management of federal institutions, (iiii) from sale of released tangible and intangible military and other property of federal executive bodies where military and equated to it service is provided, (iiiii) from sale of military products from reserves of federal executive bodies under military-technical cooperation, (iiiii) income from sale of

other property in federal ownership, referred to the income of the federal budget

^q Income from sale of federally owned land plots (excluding land plots used by federal budgetary and autonomous institutions) (except for 2019–2022) attributable to federal budget revenues, as well as for 2015 and 2021–2022 also the payment for expanded in terms of area privately owned land plots as a result of the reallocation of such land plots and federally owned land plots.

^r Revenues from sale of tangible and intangible assets (excluding revenues from the state's share of profit production in the performance of production sharing agreements (PSA), federal budget funds from the disposal and sale of escheat, confiscated and other property turned over to the state, funds from the sale of sequestered wood (2008–2011), income from the release of material assets from state reserves of special raw and fissile materials (in terms of revenues from their sale), from temporary lending and other use), as well as for the years 2012–2020 without funds from the sale of timber obtained during the protection, conservation, re-production of forests when placing state orders for their implementation without the sale of forest plantations for timber harvesting, as well as timber obtained from the use of forests located on lands of the forest fund, in accordance with Articles 43–46 of the Forest Code of the Russian Federation¹, income from commodity interventions from the federal intervention fund of agricultural products, raw materials and foodstuffs, from release of tangible assets from the state reserve, from engaging prisoners in paid labor (in terms of selling finished products), from selling special storage products) include income from (i) sale of apartments, (ii) sale of property in the operational management of federal institutions (excluding autonomous and budget institutions (2011–2022)), minus funds coming from activities of foreign missions (2015–2022²), (iii) sale of released movable and immovable military and other property of federal executive bodies, in which military and equivalent service is stipulated, (iiii) sale of products of utilization of weapons, military equipment and ammunition, (iiiii) sale of military products from the federal executive bodies' reserves as part of military-technical cooperation (2008 and 2010–2022), (iiiii) sale of weapons and military equipment recycling products as part of the federal target program "Industrial disposal of weapons and military equipment" (2005–2010).) (up to and including 2017), (iiiii) sale of immovable property of budgetary and autonomous institutions (2014–2018 and 2020–2022), (iiiii) sale of other federally owned property, as well as income from sale of intangible assets (IA) attributed to the federal budget revenues.

^s Revenues from privatization of property owned by the Russian Federation in terms of non-financial assets of the treasury.

Sources: Federal budget execution laws for 2000–2014; Federal budget execution reports for January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021 (annual); URL: <http://roskazna.gov.ru>; Report on the execution of the RF consolidated budget and budgets of state extra-budgetary funds as of January 1, 2022; URL: <http://budget.gov.ru>; Preliminary report on the execution of the federal budget as of January 1, 2023; Federal Treasury; own calculations.

In absolute terms, federal property budget revenues from non-renewable sources increased by 1.9% in 2022 (to more than Rb20.6 bn), slightly exceeding the 2019 level.

Receipts from the sale of shares rose by almost 48% (to Rb7.8 bn), which for the entire period since 2000 is surpassed only by the indicators of the crisis years 2008–2009 and 2015. Income from the sale of land plots decreased by more than 29%, amounting to about Rb1.7 bn.³ This was slightly higher than the level of 2018–2019. Revenues from the sale of various property also decreased (by more than 11%), and their absolute value amounted to more than Rb11.1 bn, including

1 This income article is missing from 2021 reports.

2 In the accounts for 2021, the funds received from activities carried out by foreign institutions were not singled out. Therefore, the total amount of revenues from the sale of property under the operational management of federal agencies is probably somewhat overstated.

3 Including revenues from the sale of land plots, the state ownership of which is demarcated, which are used by budgetary and autonomous institutions (Rb4.4 mn). A year earlier, according to budget reporting data, they amounted to Rb76.4 mn. Respective values of previous years presented in the Information of the Federal Treasury on the indicators characterizing the efficiency of state property management: 2015 – Rb0.433 mn, 2016 -Rb 2.381 mn, 2017 – Rb4.962 mn, 2018 – Rb0.1835 mn, 2019 – Rb40.1 mn, 2020 – Rb298.3 mn.

revenues from the privatization of property owned by the Russian Federation, in terms of non-financial assets of the Treasury (Rb942.8 mn).

As a result, the bulk of the proceeds provided by the sale of property (in aggregate) – about 54%¹ (in 2021 – 62%), the sale of shares accounted for about 38% (in 2021 – 26%), and the sale of land – 8.4% (in 2021 – about 12%).

However, the aggregate volume of federal budget revenues from privatization (sale) and use of state property in 2022 (*Table 7*) has more than doubled in comparison with the previous year (up to Rb798.6 bn).

Table 7

Structure of federal budget material property revenues from various sources in 2000–2022

Year	Aggregate revenues from privatization (sale) and use of state property		Revenues from privatization and sale of property (non-renewable sources)		Income from using state property (renewable sources)	
	Rb mn	% of total	Rb mn	% of total	Rb mn	% of total
2000	50 412.3	100.0	27 167.8	53.9	23 244.5	46.1
2001	39 549.8	100.0	10 307.9	26.1	29 241.9	73.9
2002	46 811.3	100.0	10 448.9	22.3	36 362.4	77.7
2003	135 338.7	100.0	94 077.6	69.5	41 261.1	30.5
2004	120 798.0	100.0	70 548.1	58.4	50 249.9	41.6
2005	97 357.4	100.0	41 254.2	42.4	56 103.2	57.6
2006	93 899.8	100.0	24 726.4	26.3	69 173.4	73.7
2007	105 761.25	100.0	25 429.4	24.0	80 331.85	76.0
2008	88 661.7	100.0	12 395.0	14.0	76 266.7	86.0
2009	36 393.7	100.0	4 544.1	12.5	31 849.6	87.5
2010	88 406.4	100.0	18 677.6	21.1	69 728.8	78.9
2011	240 964.1	100.0	136 660.1	56.7	104 304.0	43.3
2012	309 943.2/ 469 243.2*	100.0	80 978.7/ 240 278.7*	26.1/ 51.2*	228 964.5	73.9/ 48.8*
2013	209 114.85	100.0	55 288.6	26.4	153 826.25	73.6
2014	282 325.95	100.0	41 155.35	14.6	24 1170.6	85.4
2015	303 975.2	100.0	18 604.1	6.1	28 5371.1	93.9
2016	1363193.85/ 670798.85**	100.0	416470.5	30.6/ 62.1**	946723.35/ 254328.35	69.4/ 37.9**
2017	297074.9	100.0	21906.7	7.4	275168.2	92.6
2018	361648.13	100.0	28252.0	7.8	333396.13	92.2
2019	486103.55	100.0	20129.3	4.1	465974.25	95.9
2020	479725.95	100.0	27961.5	5.8	451764.45	94.2
2021	384987.15	100.0	20265.85	5.3	364721.3	94.7
2022	798631.4	100.0	20642.7	2.6	777988.7	97.4

* Taking into account funds received by the Central Bank from sale of Sberbank shares (Rb159.3 bn), which probably slightly overestimates the total share of non-renewable sources, due to the fact that the budget did not receive these funds in full, but after deduction of their book value and the

1 Including revenues from the privatization of property owned by the Russian Federation in terms of non-financial assets of the treasury (4.6%).

amount of costs associated with the sale of these shares. Accordingly, the share of renewable sources is probably somewhat understated.

** Excluding funds received from the sale of Rosneft shares (Rb692.395 bn) (net of the payment of interim dividends).

Sources: Federal budget execution laws for 2000-2014; Federal budget execution reports for January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021 (annual); URL: <http://roskazna.gov.ru>; Report on the execution of the RF consolidated budget and budgets of state extra-budgetary funds as of January 1, 2022; URL: <http://budget.gov.ru>; Preliminary report on the execution of the federal budget as of January 1, 2023; Federal Treasury; own calculations.

It was the highest since the early 2000s with the exception of 2016, when the sale of shares in Rosneft took place with the proceeds sent to the federal budget in the form of dividends from Rosneftegaz.

The structure of total revenues from privatization (sale) and use of state property shifted even more towards the latter. Revenues from using state property amounted to about 97.4%, ranking second in absolute value, while revenues from privatization and sale of property amounted to about half the value of 2014, roughly corresponding to the level of 2019 and 2021.

5.1.5. Reformatting state property policy

Over the past few years, the format of the fundamental document of state property policy has changed three times.

Just before the pandemic began, the state program (SP) “Federal Property Management”, which had been in effect since 2013 as a separate document, became a sub-program (SP) within the SP “Economic Development and Innovative Economy”. However, due to the increasing role of the financial department in the issues of property policy, at the very end of 2020 the PP “Management of Federal Property” was included in another SP “Public Finance Management and Regulation of Financial Markets”, operating since 2014 under the auspices of the Ministry of Finance.¹ This was the format of its implementation during 2021, which should be recognized as very successful.

Since the beginning of 2022, the abovementioned SP “Public Finance Management and Regulation of Financial Markets” with a component part is the PP “Federal Property Management”, acts in a new version, approved by RF Government Decree of 25.09.2021 No. 1613.

It became much more compact and laconic. The only target of the SP in this part is to ensure by 2030 growth of revenues from dividend payments of economic companies, the shareholder (participant) rights in which are exercised by Rosimushchestvo, by at least 2.5 times (as compared with 2021). Indicator 6 of the SP “Growth of income from dividend payments of economic companies where rights of the shareholder (participant) are exercised by Rosimushchestvo” corresponds to the declared objective.

In the previous version of the GP, it was the “Share of economic companies, where rights of a shareholder (participant) are exercised by the Federal Property

¹ For a detailed analysis of the reformatting of the “Federal Property Management” program, see *Malginov G., Radygin A. Privatization Dynamics and State of Property Relations: Actual Trends // Economic Development of Russia. 2021. No. 8, Pp. 47-57.*

Management Agency, which ensured transfer of dividend payments (distribution of profits among participants) of at least 50% of net profit, in the total number of such economic companies”. Besides, the PP had an extensive set of 7 indicators.¹

Improving the federal property management quality and maximizing revenues from the use of federal property will be achieved by: (1) digital transformation of accounting processes of federal property, as well as property with special treatment, (2) formation of an optimal composition of federal real estate, (3) ensuring long-term sustainable growth of the value of assets and revenues from the management of state-owned companies and reducing state participation in the activities of companies in competitive markets. This toolkit is identical to the one declared in the previous version as of the yearend of the 2020 GP.

The expected results by 2030 in the area (subprogram) are as follows:

- growth in revenues from dividend payments of economic entities where rights of the shareholder (participant) exercised by Rosimushchestvo, not less than 2.5 times (against 2021);
- setting up a digital profile of federal property (including its overall data: area, cost characteristics, categorical affiliation, information on location, rights holders, actual use, investment potential, were translated into digital format);
- forming digital system based on artificial intelligence (AI), which allows the preparation of management solutions regarding federal property in an automated mode (a complete rejection of transactions with federal property using paper media);
- ensuring alienation of property not used by public authorities of the Russian Federation to perform state functions within a period not exceeding 6 months from the date of the relevant decision from federal property register;
- ensuring involvement in economic turnover for agricultural use of not less than 60% of the total number of agricultural land plots owned by the federal government;
- growth to 65% of the share of facilities belonging to state treasury of the Russian Federation involved in economic turnover against the total number of facilities of the state treasury of the Russian Federation at the end of the reporting year.

If this list is compared with what was stated in the previous version, one can note the following.

First, the trend towards digitalization of management processes has been maintained and strengthened. First of all, it is about digitization of processes related to accounting and disposition of federal property, as well as property under special treatment, and integration by 2024 of the federal state information and analytical system “Unified State Property Management System” (USPMS) with

¹ In addition to those discussed above, these were the shares of sold property facilities of the RF state treasury and blocks of shares in JSCs (stakes in business companies) to be sold in accordance with the forecast plan (program) of privatization, as well as the coincidence of information in the register of federal property and other state information systems containing information on objects of federal property.

systems of federal executive bodies containing relevant information about all facilities of federal property (except for information constituting state secrets), based on primary data of other information systems containing data on such property.

In the new version the results relate to the creation of a digital profile of federal property (i.e., conversion of all information into digital format) and formation of a digital system based on AI, which allows to prepare management solutions in an automated mode and implies complete rejection of transactions with federal property using paper media.

Second, the set of results excludes the provision of safety (servicing and maintenance) of the RF state treasury property, identification of inefficiently used or misused federal property and its redistribution between users aiming to form an optimal composition of federal property, as well as the implementation of the forecast plan (program) of privatization of federal property.

Instead, of all this it is stated to ensure the alienation of property from federal property, not used by public authorities of the Russian Federation to perform state functions, within a period not exceeding 6 months from the date of the relevant decision.

Third, there was a partial modification of results describing the involvement of federal property in economic turnover and measured quantitatively.

With regard to the share of the RF state treasury facilities involved in economic turnover, at the end of the reporting year there was a mechanical growth in the planned values from 35% in 2024 to 65% in 2030 against their total number.

A close result (not less than 60%) is now declared separately for agricultural land plots owned by federal government (without specifying their belonging to the treasury), provided that their involvement is for agricultural use.

However, no mention was made of other results describing the work using land resources, namely formation and clarification of boundaries of land plots with an area of at least 415.000 hectares, as well as inclusion of their information in the USRIP by 2024, and Rosimushestvo providing more than 11.000 land plots for lease from 2021 to 2024.

Fourth, the same concerned results describing the activity of companies with state participation: growth to 95% of the share of business entities where shareholder (participant) rights are exercised by Rosimuschestvo, which ensured the transfer of dividend payments (distribution of profits among participants) in the amount of at least 50% of net profit, and growth to 55% of the share of business entities where the shareholder (participant) rights are exercised by Rosimuschestvo and FSUE ensuring a return on assets at least 85% of the industry's average level.

In this part the declared result in the new version coincides with the objective of the GP and its only indicator is growth in revenues from dividend payments of business entities, where rights of the shareholder (participant) are exercised by Rosimushchestvo, by at least 2.5 times (by the level of 2021).

At the same time, unlike previous editions, there are no annexes to this document, including those that previously indicated the total amount of allocations

from the federal budget with their annual distribution and intermediate values of indicators for the entire period of implementation.

The realities of the new economic and political situation resulted in the adjustment of the SP “Management of Public Finance and Regulation of Financial Markets” by RF Government Decree No. 2572 of 31.12.2022.

The SP “Management of federal property” means the following: the goal of the GP in this part is stated as “To ensure by 2030 the growth of income from management of federal property by at least 2 times (to 2021)” instead of growth from dividend payments of economic entities where rights of a shareholder (participant) are exercised by Rosimushestvo, by at least 2.5 times (to 2021). Growth of revenues from the management of federal property is also declared as an indicator of SP and the first of the expected results in this trend. At the same time another result began to look much less ambitious. The share of facilities of the RF state treasury involved in economic turnover against total number of facilities of the RF state treasury at the end of reporting year should increase to 44% (vs. 65% in the previous edition).

* * *

The first year of implementation of the federal privatization program in the new format with an annual shift in the start and end dates of the forecast privatization plan, despite the new economic conditions, was marked by very decent results.

The number of privatized unitary enterprises and sold blocks of shares (stakes) in business companies remained at the level of 2021, although the number of sold treasury facilities dropped significantly. Despite the fact that transactions in respect of the largest assets intended for privatization according to individual schemes did not take place as expected, the proceeds from the sale of shares and other forms of participation in the capital owned by the federal government exceeded twice the value of the budgetary assignment and the forecast of proceeds contained in the privatization program, suddenly being the highest in recent years.

Further prospects of privatization process are connected with another shift of the terms of the beginning and the end of the current program for 2 years, i.e. for 2023–2025. Its quantitative parameters differ significantly from those of the previous program.

While the number of privatized commercial organizations has decreased (FSUE by 3.6 times, economic companies by 28%), the number of privatized facilities of other property of the RF treasury was 25 times higher. However, the vast majority are to be contributed to the authorized capital of integrated structures. The group of companies for privatization according to individual schemes shrank to a minimum, including the corporatization of large FSUEs. Taking this into account it can be assumed that the content of the new privatization program reflected the

need to use property owned by the state on a larger scale than it was imagined before the spring of 2022.

Important changes were made to the law on privatization. They permit to carry out privatization of property with initial cost of less than Rb100 mn without its inclusion into the privatization program according to the list approved by the Ministry of Finance.

To stimulate privatization process, the size of the deposit for the sale of property in accordance with this value threshold was reduced twice (from 20 to 10%) and the possibility to conclude an agreement with a person recognized as the sole bidder at auction introduced. At the same time there is an additional reason for the Government of the Russian Federation to make a decision on the use of a special right (“golden share”) in relation to JSCs.

The number of economic entities classified as federal property continued to decrease. A comparison of values as of November 2021 and September 2022 from the forecast privatization plans shows that the number of unitary enterprises over this period decreased by more than 40%, and the number of economic societies fell by about 15%. At the same time, the data analysis from various sources (system of indicators for assessing the effectiveness of state property management and privatization programs) shows further development of the trend to increase the share of companies where the state could exercise full corporate control. Nevertheless, the group of companies with minority-sized federal blocks of shares remains quite large and is almost equal in number.

The balance of changes in the list of strategic organizations has developed towards its reduction mainly due to unitary enterprises. It is natural for the new economic and political situation to continue forming vertically integrated structures by the state, complemented by the activation in the market of mergers and acquisitions, including the acquisition of assets previously owned by foreign companies. This was most evident in the banking sector and the automobile industry.

Among the innovations in the management of economic entities of the public sector is the transition to a differentiated definition of net profit of FSUE depending on how they apply IFRS (similar to JSC, which have federal stakes), while confirming the previous standard of profit transfer to the budget (at least 1/2).

Revenues from renewable sources dominated (more than 97%) in the structure of federal budget revenues from privatization (sale) and use of state property as in the previous year. Their main part still consisted of dividends transferred to the budget with their amount more than doubled. To a large extent, this was the result of a favorable pricing environment on global energy markets.

However, a drop in the absolute value of revenues was the case for most of the sources. Significant exceptions were the income from the sale of shares, income from the lease of land and payment of amounts of unreasonable gains for using property (except for land plots) owned by the federal government with the right to manage them granted to federal government bodies in accordance with the legislation of the Russian Federation.

The realities of the new economic and political situation resulted in the adjustment of the SP “Management of public finances and regulation of financial markets” at the very end of 2022. In the direction “Management of the federal property” the focus on the growth of income from dividend payments of economic companies, where rights of shareholder (participant) are exercised by Rosimushchestvo, is replaced by growth of income from management of the federal property on the whole by 2030 by at least 2 times (by the level of 2021). At the same time the degree of involvement of the RF state treasury property facilities into economic turnover becomes much less as compared with the previous edition.

5.2. Corporate governance 2022: new regulation and practice¹

The COVID-19 pandemic boosted such areas of corporate governance development as the drive to sustainability and digitalization, however, no significant changes were expected at this point.² However, the events of 2022 resulted, and are likely to continue to result in notable changes in the management of Russian companies at both the regulatory and practical level. Interestingly, the management experience gained during the pandemic has largely prepared Russian companies to new adaptation challenges.

5.2.1. Major changes in the policy management of corporate governance

At present, six major changes can be distinguished in Russian corporate governance.³

1. Non-disclosure and limitation of information

As a general rule, to enable investors to make informed decisions, a public company must disclose information about the company and its activities as specified in the law (Article 92 of Federal Law dated December 26, 1995 No. 208-FZ “On Joint-Stock Companies” (hereinafter – JSC Law); Clause. 6.2 of the Corporate Governance Code (hereinafter – CGC).⁴

Back in 2018 the Government of the Russian Federation was granted the right to determine the cases when public companies are authorized to disclose limited information and the list of information that the company has the right not to disclose (Article 92.2 of the JSC Law; clause 6 of Article 30.1 of the Federal Law dated 22.04.1996 No. 39-FZ “On Securities Market” (hereinafter referred to as the SM Law).⁵

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2 *E.A.Apevalova, N.A.Polezhaeva*. Corporate governance during coronavirus crisis: focus on the diversity of interests and slow implementation of principles // Russian economy in 2021. Tendencies and prospects. Edition 43. M.: Gaidar Institute Publishing house, 2022. p. 460–473.

3 *N.A.Polezhaeva*. Main changes in corporate governance of Russia caused by sanctions // *Hozyaistvo i pravo*. 2023. No. p. 46–53.

4 Ref.: Letter of the RF Bank dated 10.04.2014 No. 06-52/2463 “On corporate governance code” // Bank of Russia Vestnik. No. 40. 18.04.2014.

5 Federal law of 31.12.2017 No. 481-FZ “On amendments to certain legal acts of the Russian Federation.”

In 2022, in order to avoid the introduction of restrictive measures, Russian issuers were granted a temporary (until July 2023) right to disclose information to a limited extent or refuse to disclose it.¹ Thus, the issuer is not obliged to justify such a decision or to get permission for its implementation, therefore it is not always possible to determine whether sanctions really provided a pretext. All this negatively affects trading of securities, because it is blindfolded for investors.²

If prior to 2022 the decision on limited information disclosure was made by the Government of the Russian Federation, implying certain mechanisms of restraint with regard to strengthening the degree of secrecy, now this right belongs to companies. Thus, 15 major companies stopped publishing their financial results, including 4 banks (Sberbank, VTB, Bank Saint Petersburg and TCS Group) and six state-owned companies (Mosenergo, Aeroflot, Rostelecom, among others). Moreover, companies representing chemical, oil, fishing and construction sectors (NKNKh, Russian Aquaculture, Surgutneftegaz, PIK, etc.) have not published any information.³

2. Restrictions on access to information and rights of recourse for minority shareholders

The threshold of voting shares owned by shareholders for the right to access information specified by law was raised from 1 to 5% (e.g., the list of those entitled to participate in general meetings of shareholders, non-agreed interested-party transactions), as well as the right to sue the company management on such issues as, for example, compensation for damages caused to the company, invalidation of non-agreed interested-party transactions.⁴ Changes will be valid until 2024.

On the one hand, sanctions cannot justify unlawful actions by company management. Shareholders should not be deprived of a tool for protection from such activities. On the other hand, experts explain this measure as a struggle against the so-called shareholder activism, the excessive use (up to abuse) by owners of small blocks of shares of their right to sue for damages. Such behavior amid economic instability may have a more negative impact on the company's activity compared to the usual situation.⁵

3. Restrictions on the rights of foreign investors to dispose of Russian securities

1 RF Government Decree of 12.03.2022 No. 351 "On specifics of disclosure and provision in 2022 of information to be disclosed and provided in accordance with the requirements of the Federal Law "On Joint-Stock Companies" and the Federal Law "On the Securities Market" and specifics of disclosure of insider information in accordance with the requirements of the Federal Law "On Counteraction of Illegal Use of Insider Information and Market Manipulation and on Amendments to Some Legislative Acts of the Russian Federation."

2 P.Kokorev. Russian corporate governance at the crossroads: what tomorrow brings? // Joint Stock Company: corporate governance. 2022. No. 6 (217). URL: <https://ao-journal.ru/rossiyskoe-korporativnoe-upravlenie-na-perepute-chto-den-gryadushchiy-nam-gotovit>

3 Which companies stopped disclosing results. URL: <https://journal.tinkoff.ru/news/review-cancel-info/>

4 Article 3 of the Federal law of 14.03.2022 No. 55-FZ "On amendments to Articles 6 and 7 of the Federal law "On amendments to Federal law "On the Central Bank of the Russian Federation (Bank of Russia)" and specific legal acts of the Russian Federation in terms of the specifics of changing the terms of the borrow agreement, loan agreement" and Article 21 of the Federal law "On amendments to specific legal acts of the Russian Federation."

5 Anti-crisis corporate legislation – 2022. URL: <https://www.garant.ru/article/1570526/>

Sanctions resulted in significant differences in the position of residents and foreign shareholders in Russian companies.

In February 2022, in response to freezing of some Russian reserves and to maintain the stability of the financial system, a ban was imposed on the sale of securities of Russian issuers by foreign investors from unfriendly countries and on the transfer of their dividends.¹ Later, a temporary procedure was established for payment of dividends, when the issuer opens a ruble “C” account in a Russian credit institution to transfer funds, if the amount of his liability to foreigners is more than Rb10 mn per calendar month.² Trading in the stock section of the Moscow Stock Exchange suspended in the same month, have soon resumed for residents and gradually for non-residents from friendly countries, however, not for unfriendly individuals.

At present, sale of securities by a foreign person from an unfriendly state to a Russian resident can take place only with the permission of the Government Commission for Control of Foreign Investment in the Russian Federation.³ Until 2024, without a special resolution of the President of the Russian Federation, the above-mentioned individuals can’t sell or make other transactions with securities of strategic companies involved in the fuel and energy sector and credit Russian companies.⁴ Until 2025, the court can suspend the rights (voting, receiving dividends, etc.) of foreign investors who dispose in aggregate of more than 25% of a Russian notable company and commit unfriendly acts in relation to this company.⁵ However, the list of such actions is interpreted broadly.

If a foreign company registered in a hostile country which has a controlling person who is recognized as a tax resident of the Russian Federation commits acts violating the rights of the Russian company in which it is a shareholder or the rights of that controlling person, the controlling person may apply to the Russian FTS until 2024 to exercise shareholder rights in relation to that Russian company instead of its controlled foreign company. Thus, the controlling person is not entitled to vote for decisions on the reorganization of the Russian company, early termination of the powers of its board of directors, etc. It is prohibited to alienate shares.⁶

Also, in April 2022, a ban was introduced on the circulation of shares of Russian issuers outside the Russian Federation in the form of depositary receipts⁷

1 The Bank of Russia Instruction of 28.02.2022 No. 018-34-3/1202 “On securities” (became invalid).

2 Executive Order of the RF President of 05.03.2022 No. 95 “On interim obligations to some foreign creditors.”

3 Executive Order of the RF President of 01.03.2022 No. 81 “On additional temporary economic measures aimed at financial stability of the Russian Federation.”

4 Executive Order of the RF President of 05.08.2022 No. 520 “On use of special economic measures in financial and fuel-energy sectors due to unfriendly acts of some foreign states and international organizations.”

5 Item 8 Article 18 of the Federal law of 14.07.2022 No. 320-FZ “ON amendments to Federal law “On privatization of state and municipal property”, specific legal acts of the Russian Federation and on identification of specifics for regulating property relations.”

6 Article 3 Federal law of 14.07.2022 No. 323-FZ “On amendments to Part 2 of the RF Tax Code.”

7 Depositary receipts are securities that certify ownership of other securities (shares) traded abroad; they are issued so that an investor, investing on his country’s stock exchange, could invest in shares traded on another country’s stock exchange.

due to their collapse at Western stock exchanges.¹ Thus, the company can get a permission from the Government of the Russian Federation to keep its depositary receipts at the foreign stock exchange. Depositary receipts are automatically converted into local shares, creating challenges for foreign investors (from both unfriendly and friendly countries) who are not allowed by law or bylaws to invest in local shares in other jurisdictions.

It should be noted that due to the abundance of often fragmentary and overlapping documents of the regulatory bodies on the relevant subject, it is difficult to identify a holistic picture, as well as the nuances of the current situation related to foreign investors.

4. General meeting of shareholders through absentee voting

As a matter of principle, the General Meeting of Shareholders (GMS) cannot be held through absentee voting, if the agenda includes the election of the Board of Directors and the Audit Commission, approval of the auditor, annual report and financial statements (Article 50 of the JSC Law).

Due to the current epidemiological situation, the legislator suspended this provision in 2020 and 2021. Despite the return to normalcy, the possibility of conducting GMS through absentee voting was extended until 2024, this time as an anti-sanctions measure.² Although absentee voting has its advantages (the procedure is relatively simple and cheap), this form can provoke corporate conflicts, negatively impact on the interests of some shareholders. The Corporate Governance Code recommends holding GMS on any issues in person (clause 1.1.3), and the jurisdictions that are popular with investors have not resorted to absentee voting even in the midst of the pandemic, preferring an in-person (remote) format. In this regard, the justification for such a prolongation by sanctions is not always sufficiently reasoned.

Although absentee voting was a right and not an obligation for GMS in 2020 and 2021, most companies particularly preferred absentee voting.

Opponents of absentee voting consider this form as an infringement of minority shareholders' rights, because such voting does not in fact present a meeting, and shareholders cannot ask questions to management and board members or communicate with each other. The basic principle of corporate governance is the shareholder's right to participate in the activities of the company through participation in the GMS.³

Supporters of absentee voting refer to the fact that joint attendance is not the only form of shareholder communication (online venues, webinars, investor days, etc.). In practice, in-person GMS only give the impression of informational transparency and the readiness of company management to answer any shareholder

1 Article 6 Federal law of 16.04.2022 No. 114-FZ "On amendments to Federal law "On Joint Stock Companies" and some legal acts of the Russian Federation."

2 Article 2 Federal law of 25.02.2022 No. 25-FZ "On amendments to Federal law "On Joint Stock Companies" and on suspending some provisions of legal acts of the Russian Federation."

3 Absentee voting infringes this principle, which may have an impact on the companies' positions in the international ESG-ranking in standard situations as well. Ref.: You won't be cute in absentia – minorities' rights were lost between reality and virtuality. URL: <https://www.interfax.ru/business/812380>

questions and, indeed, they are archaic. Moreover, the binding effect of the meetings in person is not compatible with availability of controlling shareholders in most large Russian companies (the issue of high concentration of capital), who make the final decision regardless of the votes of minority shareholders.¹

Remote meetings using electronic or other technical means could be a successful alternative, and the Civil Code of the Russian Federation (Art. 181.2) stipulates this possibility. However, this procedure is insufficiently regulated and the relevant provisions have not yet been introduced into the JSC Law.

5. Down-sized board of directors and its absence

With the start of the sanctions policy, many foreign board members had to leave Russian companies ahead of time. To ensure the quality of decisions made by the board, it was necessary to quickly redistribute authority among the remaining members and search for experienced candidates.

Boards of directors of non-sanctioned companies have been allowed to work in truncated form until 2024, allowing the board to retain its powers if more than half of its members have left. The sanctioned companies may not elect a board of directors until 2024 if the shareholders so decide. In this case, its functions will be performed by the collegial or the sole executive body. At the same time, decisions on the priority areas of the company's activity, increasing its charter capital and approving its financial statements shall be made by the general meeting of shareholders.² It is important that this measure should not be abused to reduce the independence of the board of directors.

In 2023, it will be possible to elect the board of directors for a longer term (3 years). Shareholders will be able to elect board members for up to the third annual general meeting of shareholders from the date of election.³ Prior to that decision, board members were elected for the period until the next such meeting (Item 1, Article 66 of the JSC Law). The period for shareholders to nominate candidates for election to the board of directors was legally extended.⁴

There are also some changes related to the tasks faced by corporate directors⁵:

a) increasing the efficiency of problem solving and rapid adaptation of practices to new conditions to ensure economic and legal security of business (active study of a large number of new and adopted regulations, negotiation of new contracts with new counterparties resulted from supply and sales disruption, etc.)

1 O.V. Osipenko. Corporate conflict management: monograph. M.: Statut, 2022.

2 Item 1.1.4 Article 7 Federal law of 14.07.2022 No. 292-FZ "On amendments to some legislative acts of the Russian Federation, recognizing as invalid the sixth paragraph of the first part of Article 7 of the Law of the Russian Federation "On State Secrets," suspension of certain provisions of legislative acts of the Russian Federation and establishment of special regulation of corporate relations in 2022 and 2023."

3 Article 27 Federal law of 19.12.2022 No. 519-FZ "On amendments to some legislative acts of the Russian Federation and suspension of some provisions of the legislative acts of the Russian Federation."

4 Article 17 Federal law of 08.03.2022 No. 46-FZ "On amendments to some legislative acts of the Russian Federation." This law also allows not to reduce the authorized capital to the level not exceeding the value of assets and not to liquidate the company, if at the end of 2022 and 2023 the value of net assets of the company will be below the authorized capital.

5 Sanctions and corporate governance // Shareholding company: issues of corporate governance. 2022. No. 5 (216). URL: <https://ao-journal.ru/sanktsii-i-korporativnoe-upravlenie>

b) search for an acceptable volume of disclosed information;
c) additional attention to interaction with stakeholders (consultations, explanations), including the company's management and shareholders facing restrictions in transactions with securities, reduction of the volume of disclosed information, etc.

6. Companies refusing to pay dividends

In the context of sanctions, a number of decisions have been made not to pay dividends. Although shareholders should be given an opportunity to participate in the profits of the company by receiving dividends, the non-payment of dividends does not violate their corporate rights if it is economically justified (Article 43 of the JSC Law; Clause 1.2.2 of the CGC). However, the legality of such a decision does not mean that it will be a reason for dissatisfaction among investors and will not result in a decrease in the value of the company's shares.

The Government of the Russian Federation made a decision, when preparing draft directives for representatives of the state interests to participate in Supervisory Board meetings and when forming attitude of the state shareholder in Sberbank to prevent paying dividends for 2021. This decision was based on the need to ensure sustainable lending to corporate clients and financial organizations.¹ The Bank of Russia recommended to other credit and non-credit financial institutions to refuse paying dividends.² The respective decision was taken by the general meeting of Sberbank shareholders. The total of dividends could reach Rb623 bn at the 2021 yearend.³ Despite difficult economic situation leading to this decision, the investors' reaction resulted in a collapse of Sberbank shares at the Moscow stock exchange by 7%.⁴

Gazprom's shares also fell by 32.32% after the general meeting decided not to pay dividends, despite the opposite recommendations of the board of directors. This decision was explained by the inexpediency of payments and the forthcoming payment of higher taxes by the company. Some experts attributed these actions to the intention of the state, which is the controlling shareholder, to receive a share of the company's profits in taxes.⁵

In other government edicts on non-payment of dividends in companies with state participation, justifications vary or are absent, which makes their dividend policies insufficiently predictable.⁶

1 RF Government Edict of 20.05.2022 No. 1252-r "On preparing draft directives for representatives of the interests of the Russian Federation to participate in the meeting of the Supervisory Board of Sberbank of Russia Public Joint-Stock Company."

2 Information message of the Bank of Russia of 15.04.2022 "The Bank of Russia implements additional measures to support financial sector and lending to the economy" // Bank of Russia Vestnik. No. 23. 20.04.2022.

3 "Sber" shareholders decided to refuse paying dividends for 2021. URL: <https://quote.rbc.ru/news/article/62bd6dde9a7947787a4de72a>

4 "Sber" shares fell by 7% after decision not to pay dividends. URL: <https://www.forbes.ru/investicii/470231-akcii-sbera-upali-na-7-posle-resenie-ne-vyplacivat-dividendy>

5 It's a "rip-off" of the state, the middle class is the hardest hit: why Gazprom shattered investors' dreams? URL: <https://www.business-gazeta.ru/article/555446>

6 A.Y.Pavlov, I.A.Danilov. On dividend policy of companies with state participation // Financial law. 2022. No. 9. p. 33–37.

Other companies also refused to pay dividends (for example, X5 Group, GK “Mother and Child”, “Globaltrans”, LSR, Raspadskaya, Rusagro, Cherkizovo).¹

It should be noted that some experts believe that growing sanctions pressure will strengthen such a trend in the Russian economy as the expansion of the public sector, which will affect the quality of corporate governance due to the specific position of the government shareholder (access to financial and other corporate documents, “golden shares,” legislative provisions protecting the government share from reduction, etc.)² In 2000–2021, the public sector growth has indeed been recorded in Russia from 31.2 to 56.2%³, however, there are currently no accurate data and estimates about the impact of sanctions on the expansion of the Russian public sector.

To a large extent, the retreat from certain corporate governance principles in terms of shareholder rights and information disclosure (equal conditions for all shareholders, the possibility of free and unencumbered alienation of their shares, transparency of the company and its operations, etc.) was a forced response. Although the toughest restrictions apply to foreign investors, non-disclosure of information and non-payment of dividends are unpopular decisions among domestic shareholders as well, which, in addition to Western sanctions, affects the value of Russian companies’ shares.

On the one hand, incorporation of relevant changes in particular laws, acts of the President, the Government of the Russian Federation and the Bank of Russia and non-inclusion in the basic laws allows reacting promptly to the rapidly changing situation and hoping for the temporary nature of these changes. On the other hand, the transfer of such regulation to the level of government acts may result in the instability of corporate relations. Such documents are easier to change than laws, which provide a certain guarantee of stability of legal relations for shareholders.⁴ It should be noted that the Moscow Stock Exchange also did not adjust its listing and disclosure rules, having issued additional recommendations.⁵

5.2.2. IPO and delisting in Russian corporate practices. Heading East

The IPO market in Russia is not large, 2–5 offerings per year, whereas, for example, in the U.S. several hundreds of companies participate in the stock exchange every year. In 2020–2021, 11 new issuers appeared on the Moscow Stock Exchange, which is comparable with the total of the previous five years. The

1 9 Russian companies refused to pay dividends. URL: <https://journal.open-broker.ru/radar/otkaz-ot-vyplaty-dividendov/>

2 *Nurgozhayeva R.* Why do sanctions against Russia miss the target? A corporate governance perspective. URL: <https://ecgi.global/blog/why-do-sanctions-against-russia-miss-target-corporate-governance-perspective>

3 Index of public property IAES RANEPА 2020–2021. URL: <https://ipei.ranepa.ru/ru/kgu/indeksy> Certificate of state database registration No. 2022623208 Russian Federation. Index of the size of public sector 2022: No. 2022623200: applied 28.11.2022: published 02.12.2022 / *A.D.Radygin, A.E.Abramov, M.I.Chernova*; applicant: “Federal State Budgetary Educational Institution of Higher Education Russian Presidential Academy of National Economy and Public Administration.”

4 Corporate governance, or what is left of it. Report. URL: <https://www.interfax.ru/business/849830>

5 Recommendations on disclosure of information. URL: <https://www.moex.com/a8200>

2022 sanctions slowed down initial public offerings, but as the situation on the Russian stock market became less tense at the end of the year, several companies announced their intention to hold IPO on the Moscow Stock Exchange in the near future (for example, Whoosh and GK “Astra” from the IT sector). It should be noted that over the past 20 months, about 38 Russian non-public companies reported preparations for an IPO (“Delimobil”, Ivi, MTS Bank, “Samokat”, etc.).¹

Russian companies (through holding companies established in foreign jurisdictions) resort to initial public offerings abroad even less frequently.² For example, the recruitment service HeadHunter placed its shares on the American stock exchange NASDAQ in 2019. HeadHunter abandoned its IPO on the Moscow Stock Exchange in favor of NASDAQ in order to raise more funds from American investors, as well as to expand into other countries.³ NASDAQ has suspended trading in HeadHunter stock as from February 28, 2022.

Thus, in 2022 the pace of IPO has slightly slowed compared with the previous year, but Russian companies are still demonstrating interest in going public, planning or preparing to go public, which also means that they will be subject to the rules of corporate governance for public companies.

As for delisting, the sanctions policy did not result in a significant exclusion of Russian companies’ securities from the quotation lists of Russian stock exchanges. The planned delisting of the largest Russian retailer of children’s goods, Detsky Mir, is rather an exception and is connected with the large share of foreign funds in the company (60%). Since funds from unfriendly countries are not allowed to conduct transactions on the Moscow Stock Exchange under new rules, the removal of Detsky Mir shares from the quotation list will allow its foreign shareholders to vote, receive dividends and sell their baskets of shares.⁴

The example of SC “Mother and Child”, which was paying dividends again despite its Cypriot domicile, by contrast, indicates that companies involving foreign participation will sooner or later be able to cope with the obstacles that they encountered.

Four other Russian issuers may leave the Moscow Stock Exchange, but only in two cases the departure is associated with sanctions (Unipro and Polymetal). For example, the main owner of Unipro is the German concern Uniper, which owns 83.73% of the company. In 2022, Uniper announced its intention to leave Russia. However, talks about selling a stake in the majority-owned company stopped after Western investors in the fuel and energy sector were forbidden to exit Russian assets.⁵

In contrast to Russia, the delisting of Russian companies abroad in 2022 was on a larger scale. In late February – early March 2022 there was a collapse of

1 Which Russian companies can conduct IPO. URL: <https://journal.tinkoff.ru/news/review-rus-ipo/>

2 At the London stock exchange: Mail.ru in 2010, “Megafon” in 2012, TCS Group in 2013, En+ in 2017. Ha NASDAQ: “Yandex” in 2011, Qiwi in 2013.

3 HeadHunter and other 5 Russian companies, which conducted IPO abroad. URL: <https://quote.rbc.ru/news/article/5cd93d409a794702b4a9e432>

4 Should we expect new delisting on the Moscow Exchange? URL: <https://fomag.ru/news/stoit-li-ozhidat-novykh-delistigov-na-mosbirzhe/>

5 What companies can leave Moscow Stock Exchange. URL: <https://journal.tinkoff.ru/news/review-leaving-moex/>

Russian depositary receipts on the London Stock Exchange (securities of Sberbank, Gazprom, Lukoil, etc.). The London Stock Exchange suspended trading in these securities (27 companies affiliated with Russia).

American Stock Exchanges NYSE and NASDAQ interrupted trading (including securities of HeadHunter, Ozon, Qiwi, “Yandex”).¹ In response, Russia banned Russian companies from placing receipts for their shares on foreign platforms since April 27, 2022 and ordered to delist the receipts which are already traded.² This decision was made to protect investors from the depreciation of their assets and reduce the risk of redistribution of corporate control due to the possibility of buying receipts abroad at prices that fell to near zero.³

The new law applies to companies that are registered in Russia and have placed their depositary receipts abroad (Sberbank, Gazprom, Nor Nickel, etc.).⁴ Twenty seven Russian companies with an average of 15% of their authorized capital represented by receipts fell under the law. About half of the Russian companies having depositary receipts on foreign stock exchanges received permission from the Russian Government to keep them temporarily or indefinitely (for example, if more than 50% of the company is owned by a Russian resident): applications were received from 19 companies (Mechel, NLMK, Novatek, PhosAgro, Polyus, Severstal, Surgutneftegaz, Tatneft, AFK Sistema, Norilsk Nickel, Lenta and others).), and only four of them were rejected (including Gazprom, MMK and Magnit).

As re-listing may well be possible after the recovery from crisis, Russian companies that have left foreign exchanges should maintain their corporate governance at the appropriate level to quickly return to the relevant platforms. Thus, following corporate governance standards exceeding domestic exchange requirements may make a company more attractive for investors.

Amid the interruption of trading of Russian securities on Western stock exchanges, Russian companies are considering alternative platforms and the possibility of changing the issuer to continue operating abroad (using a foreign holding company as an issuer to enter the relevant foreign exchange).

Choice for a particular exchange is based primarily on its liquidity rather than state of technology or quality of investor protection regulation.⁵ Nevertheless, in case of listing on a foreign exchange, the company must comply with the listing rules of the relevant jurisdiction.

The differences in listing rules set by stock exchanges are largely due to country and cultural nature. While the requirements for auditing financial statements are almost the same everywhere, the financial criteria for going public differ, for example: \$910,000 of expected capitalization for premium venues on the London Stock Exchange and \$6.5 mn of profit over three years and \$65 mn

1 Russian companies will have to delist the receipts from foreign exchanges. URL: <https://journal.tinkoff.ru/news/ru-dr-delist/>

2 Federal law of 16.04.2022 No. 114-FZ “On amendments to Federal law “On Joint Stock Companies” and some legislative acts of the Russian Federation.”

3 Receipts programs follow at the depot. Review. URL: <https://www.interfax.ru/business/844186>

4 The requirement does not apply to foreign, but essentially Russian companies that are registered in other countries whose shares are traded abroad (for instance, “Yandex”, HeadHunter and Ozon).

5 What is a stock listing. URL: <https://www.tinkoff.ru/invest/research/education/listing/>

of market capitalization at the time of listing on the Hong Kong Stock Exchange.¹ The listing in London and Hong Kong requires a sponsor (an investment bank coordinating the management of the IPO project), while in New York it is not required. Unlike London, in Hong Kong there is a requirement for a minimum number of shareholders.

Exchange requirements in terms of corporate governance are also marked by unique features. For example, compared to the Tokyo, New York, Frankfurt, Brazil and London stock exchanges, the Toronto Stock Exchange has the lowest corporate governance standards. The most detailed governance standards have been developed by the London Stock Exchange, but many are non-prescriptive (based on a “comply or explain” approach, when compliance with a rule and a proper explanation of the reason for non-compliance are forms of abidance by the rule).

The most prescriptive rules are those of the Brazilian exchange, but they do not embrace many universally recognized standards.² The Hong Kong Stock Exchange has some of the most stringent corporate governance requirements for listed companies.

The main options for Russian companies are the Hong Kong and Abu Dhabi stock exchanges, as well as special administrative regions (SARs), the so-called Russian offshore: Russky Island in the Primorsky Krai and Oktyabrsky Island in the Kaliningrad Region. A simplified registration procedure in these areas is envisaged until 2024.³

The most popular alternative is Hong Kong. Rusal's shares are already listed on the Hong Kong Stock Exchange. By the volume of stock capitalization, the Hong Kong Stock Exchange overtakes the London Stock Exchange. Several times it became the first by volume of IPO and raising investment funds. Trading floors in mainland China, one of the most regulated and closed to foreign capital, are complex options (Shanghai, one of the three largest exchanges in the world, Shenzhen and Beijing Stock Exchanges). The Abu Dhabi Stock Exchange is mainly focused on issuers from the Persian Gulf countries. The Astana International Exchange is also considered as an option.

Despite labor-intensive, the switch is possible. However, it does not eliminate risks. Major investors refrain from investing in Russian business because of the current and possible future sanctions restrictions. In turn, Russian issuers are not interested in receiving new investments at a “discount”. If the need for money arises, companies consider debt instruments, private placement, receiving investments from local investors with ruble liquidity. The most likely options for Russian companies in the current situation seem to be stock exchanges in Russia, where the issuer avoids the risk of asset freezing, and it is easier for investors to buy securities.

1 Russian business began to look closely at the Eastern stock exchanges because of the sanctions. URL: <https://www.rbc.ru/finances/15/04/2022/625852369a7947d04adb84c8>

2 *Ching H., Tardelli R.* Corporate Governance Rules in Six Stock Exchanges: A Comparative Study // *Advances in Social Sciences Research Journal*. 2015. No. 2(2). P. 197–209.

3 Item 4 Article 18 Federal law of 03.08.2018 No. 291-FZ “On special administrative areas in the territories of the Kaliningrad region and Primorsky Krai.”

Thus, the sanctions policy made a contribution to the corporate governance in Russia. In order to support the Russian stock market, a number of unpopular decisions had to be made among investors: limiting information disclosure and access to information, curtailing the rights of foreign investors, providing for a truncated board of directors, abandoning in-person GMS and dividend payments.

It should be noted that it is difficult to determine the extent to which sanctions affect the quality of corporate governance in Russian public companies in isolation from other factors. Thus, for instance, in recent years, the pace of development of corporate governance, not only in Russia, but throughout the world is influenced by the ESG agenda¹, among other things, spurred by the pandemic COVID-19, when its first two components, the environmental and the social received attention. Development of corporate governance according to some experts² has practically stopped. This conclusion is also confirmed by the minor dynamics of the average level of implementation of principles of the Russian CGC by listed companies in 2018–2021: from 76 to 78%.³

5.2.3. Trends abroad: environmental and social aspects are replacing management issues

Despite sanctions policy, the desire to be sustainable remains the main focus of corporate governance development for developed and many developing countries. Sustainable management, or corporate governance in the context of ESG, is aimed not only at achieving the financial sustainability of the company, but also at sustainability in all areas of the triple score (economy, ecology and society) and aims to provide value not only for shareholders, but for all stakeholders.⁴

Corporate governance in the ESG subject plays a dual role. Corporate governance is, on the one hand, an element of the ESG agenda, on the other hand, it is the driver of this agenda, helping all ESG factors, including “G”, i.e. governance, to integrate into the company.⁵

One may talk today about the prevalence of corporate governance systems including some elements of ESG, but more and more jurisdictions and companies

1 ESG (Environmental, Social, Governance) – a set of standards and criteria for investors and other stakeholders for assessment of environmental (E), social (S) and governance (G) results of the company activity. It is used to reflect more specifically how effectively the business is moving toward sustainability goals. The ESG goals are much more ambitious than those of corporate social responsibility. In turn, sustainable development is a philosophy, an economic growth that meets the needs of the present generation without depriving economic growth and meeting the needs of future generations. This concept is based on the idea of a balanced development of ecology, society and economy. Ref.: ESG-strategy: a fashion trend or a working tool? URL: <https://journal.ecostandardgroup.ru/esg/test/esg-strategiya-modnyy-trend-ili-rabotayushchiy-instrument-mneniya-ekspertov-i-uchastnikov-rynka/>

2 Fancy letters: why the ESG concept did not help to improve corporate governance in Russia. URL: <https://www.forbes.ru/biznes/420455-modnye-bukvy-pochemu-koncepciya-esg-ne-pomogla-uluchshit-korporativnoe-upravlenie-v>

3 Review of corporate governance practices in Russian public companies at the end of 2021. URL: https://cbr.ru/Collection/Collection/File/43510/Review_corp_0112022.pdf

4 Corporate governance in the context of ESG: new understanding of sustainability. URL: <http://corprtransparency.ru/documents/corporate-governance-in-the-context-of-esg.pdf>

5 Guidelines for the eminent. How to comply with sustainability best practices. URL: https://fs.moex.com/f/15022/esg.pdf?fbclid=IwAR31CL8U9URcpLVPAUe5_NETUbZN4hIRkDy8JmbrxnOmoM2Rj23xTHaeH3Q

strive to comply with the maximum number of ESG principles and even exceed that number.

Although the main trends in corporate governance are aimed at implementing all three components of ESG at the global level, a certain preponderance is observed in the environmental and social governance; governance is receding into the background.

1. *Shareholders become more demanding.* If the company or individual directors fail to perform the expected actions, including disclosure obligations, shareholders will vote more vigorously against their proposals at the annual general meetings. Typically, this will involve environmental and social factors.¹

2. *Efficiency of the board of directors is improving.* The increasing number of new issues requiring the board's attention necessitates better execution of the directors' fiduciary duties and their role as a sounding board for the company's management. Competent board composition, renewal and performance evaluation will improve corporate effectiveness and reduce exposure to risks.

3. *Standards for companies and their climate change disclosures are improving.* It should be noted that in terms of information disclosure, among the trends of corporate governance are also increasing requirements for the disclosure of information related to where and how the company pays taxes.²

4. *Equity, diversification (diversity), and inclusiveness on boards and in companies in general are improving.* Stakeholders demand constant progress on these indicators because corporations possessing these qualities are believed to outperform other companies.

5. *Digitalization* is also outlined as a separate trend of corporate governance. Corporate governance has long been familiar with such elements of new technologies as blockchain, electronic registries, electronic document management and e-voting. Companies are trying to include experts experienced and competent in innovation and digital technology on their boards, and to consider cyber risks as part of their risk management system.³ Experiments using artificial intelligence in management are of particular interest.⁴ Digitalization creates platform companies whose operations are based on new technologies (Apple, Alibaba, Sber, Yandex, etc.). Traditional pro-shareholder corporate governance conflicts with the needs of platform companies that promote collaboration between multiple stakeholders, seek to increase stakeholder engagement.⁵ Managing a digital platform business

1 2022 Global and Regional Trends in Corporate Governance. URL: <https://www.russellreynolds.com/en/insights/reports-surveys/2022-global-and-regional-trends-in-corporate-governance>; Six Key Corporate Governance Trends For 2021. URL: <https://www.maalot.co.il/Publications/ESGA20210413113135.PDF>; Emerging Trends In Corporate Governance In 2022. <https://blog.corporateservices.euronext.com/en/governance/emerging-trends-corporate-governance/>

2 Six Key Corporate Governance Trends For 2021. URL: <https://www.maalot.co.il/Publications/ESGA20210413113135.PDF>

3 Corporate governance in the Covid era: cybersecurity and high-tech considerations. URL: <https://gaap.ru/articles/Corporativnoe-upravlenie-v-epohu-covida/>

4 E.A.Apevalova, N.A.Polezhaeva, A.D.Radygin. Corporate governance standards and practices: some current trends. Russian Economy in 2019 Trends and Prospects. Edition 41. M.: Gaidar Institute Publishing House, 2020. p. 486–498.

5 N.A.Polezhaeva. Platform Companies: Features of Business Model and Corporate Governance. Russian Economy in 2020. Trends and Prospects. Edition 42. M.: Gaidar Institute Publishing House,

is largely associated with expanding corporate goals toward stakeholders. Let us consider a few examples of the promotion of environmental and social agendas in management in different countries.

The U.S. and Canada

1. *Environmental control and company reporting.* Over the past few years, investors pay increasing attention to the environmental controls and reporting of portfolio companies. Voting rules are becoming stricter. For example, in 2022, proxy-voting guidelines at one of the world's largest investment firms, Vanguard, included the ability to vote against directors who made significant errors in risk management, including climate.¹ The annual letter from the CEO of asset management of the State Street Global Advisors ("SSGA") states that companies in major indexes in the U.S. and several other markets must align their disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and that SSGA will vote against directors who do not meet such disclosure requirements.²

In December 2021, the Prime Minister of Canada sent out letters to members of the Cabinet proposing a whole-of-government approach to combating climate change.³ The letters to the Secretary of the Environment and the Secretary of the Treasury required mandatory disclosure of climate-related financial information.

It is to be expected that many key stakeholders, including major shareholders, will demand additional disclosure from companies beyond what is mandatory.

2. *Diversification and inclusion.* Diversity of a company's board, board of directors, and employees continues to be promoted as an important factor in a company's efficiency and higher value.

Diversity requirements are increasingly being included in regulations and other acts, such as California's gender and racial diversity requirements for boards of directors. Board diversity disclosure is required by the NASDAQ stock exchange. The U.S. proxy voting guidelines of the world's largest investment company, BlackRock, indicate the need for a 30% diversity of board members.⁴

The COVID-19 pandemic has raised additional attention to relations with employees. The latter became more demanding, which contributes to a more competitive environment, encouraging companies to create conditions to attract the best employees.

3. *Demanding shareholders (forward-thinking companies will expand their shareholder engagement programs).* Shareholders more often insist at their general meetings on the need to change the tack of the company. The most striking example

2021. p. 533–556.

1 Proxy voting policy for U.S. portfolio companies. URL: https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/US_Proxy_Voting.pdf

2 CEO's Letter on Our 2022 Proxy Voting Agenda. URL: <https://www.ssga.com/us/en/institutional/ic/insights/ceo-letter-2022-proxy-voting-agenda>

3 Full-court press on climate in mandate letters, but environmentalists will wait and see. URL: <https://www.thestar.com/news/canada/2021/12/22/full-court-press-on-climate-in-mandate-letters-but-environmentalists-will-wait-and-see.html>

4 BlackRock Investment Stewardship: Proxy voting guidelines for U.S. securities. URL: <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>

of 2021 is the oil giant ExxonMobil set a goal of achieving carbon neutrality by 2050 under pressure from hedge fund Engine No. 1, which has a small stake in the company, and other shareholders. ExxonMobil's board of directors included three directors from Engine No. 1.¹

4. Effectiveness of the board of directors, assessment of its performance and renewal of its composition. Boards will be under pressure from stakeholders demanding to self-evaluate and renew their composition to meet ever-changing needs, to bring in new prospects and diversity. Some major investors and representatives (proxy advisors) call for robust board evaluation programs.

European Union

1. Environmental responsible activity. The Sustainable Financial Development Strategy adopted by the European Commission in July 2021 supporting the "European Green Deal", includes a number of measures to overcome environmental challenges and increase investment in the sustainable development of the economy. One of the measures, the Sustainability Taxonomy (or "Green Taxonomy"), a system for classifying sustainable economic environmental performance, has already entered into force.³ Financial companies can now report based on technical criteria used to determine whether the activity of the company is environmentally sustainable.

Since January 2022, companies and investors subject to the Corporate Sustainability Reporting Directive (CSRD) are required to disclose information on climate change mitigation and adaptation.

The information to be disclosed will be minimal, and it is expected that some stakeholders, especially large investors, will demand more information to be disclosed.

2. Linking executive compensation to ESG indicators. Investor demands for compliance with ESG principles, especially environmental, are growing. In this regard, the possibility is being considered to establish a correlation between the remuneration of company executives and the degree of compliance with such principles. However, it has not yet been possible to identify common key indicators that could be used as a benchmark. For example, the Norwegian CGC attributes ESG (sustainability) issues to competence of the board of directors and recommends that size of remuneration should be transparent and strictly limited when linked to performance. Germany and Spain also recommend ESG criteria for remuneration.

3. Diversification of the board of directors and director's "overboarding." In some European countries, companies set mandatory targets for the number of women

1 The Little Engine That Won an Environmental Victory Over Exxon. URL: <https://www.bloomberg.com/news/articles/2021-06-09/engine-no-1-proxy-campaign-against-exxon-xom-marks-win-for-esg-activists>

2 In 2021, the European Commission has released a package of proposals to reduce harmful emissions into the atmosphere, called the European Green Deal.

3 The European Union's sustainability taxonomy aims to attract private capital for long-term environmental projects. URL: <https://investinfra.ru/frontend/images/articles/2020-04-08/NAKDI-Ponomareva-jekspertnaja-statja-1-07.04.2020.pdf>

on their boards. In Denmark, corporate governance principles recommend diversity in terms of gender, age, education, and business experience. Ethnic diversity is somewhat more difficult, as it is not legal in Europe to collect data on ethnicity.

The “overboarding” of one director serving on several boards at the same time presents a particular concern to investors. The number of European companies having boards where these directors are members seems excessive. Limiting the number of boards to one director is not considered the only solution, and alternatives are still being sought.

4. Strengthening the position of shareholders: likely revision of the Shareholder Rights Directive II. Shareholder Rights Directive II is focused on:

- a) improving the quality of interaction between shareholders and managers with their companies;
- b) strengthening shareholder rights, including control over remuneration and related-party transactions;
- c) expanding information about investing.

Implementation of the Directive was scheduled for 2019–2020, but it has slowed due to the COVID-19 pandemic. Investors are particularly concerned about the insufficiently rapid tightening of disclosure requirements for executive compensation. As a result, a review of the Directive’s provisions is pending.

The United Kingdom and Australia

In the UK, investors pay special attention to climate change, and new environmental disclosure standards have been issued. Attention to the social element also continues. Investor demands grow for diversity (gender, ethnicity, sexual orientation, socio-economic background) on boards and leadership teams, and the role of boards in ensuring diversity and inclusiveness. These demands often exceed established standards.

In terms of governance in the ESG context, the first step toward restoring trust in corporate governance, as well as in auditing, is a series of proposals from the UK government, including the planned establishment of an Audit, Reporting and Governance Authority (ARGA) in 2023. The next step should be wide-ranging reforms, including a review of the roles of individual directors and the board as a whole.

In Australia, climate change remains the focus of many investors with many campaigns held by activist shareholders focused on the environment. At the national level, the climate issue is being addressed at a more conservative pace. Special attention is paid to diversification of the board of directors. Thus, in November 2021, all boards included at least 30% women.

Brazil

Despite the shortcomings of corporate governance in Brazil, the country is striving to develop all components of ESG. Some Brazilian companies started moving from greenwashing¹ to real climate initiatives. The dependence of a

1 Greenwashing (or green camouflage) is a form of environmental marketing used by unscrupulous companies to give the appearance of an environmentally oriented organization.

company's management remuneration on its environmental performance is expected to grow, and this will require greater disclosure. The Brazilian Securities and Exchange Commission is expected to support increased transparency regarding ESG. There is also an increased demand for a more ESG-aware board of directors.

Shareholders demand more actively that boards provide effective health and social control for the well-being of employees (education, pay equity, etc.), customers, and other stakeholders. The COVID-19 pandemic has reinforced this trend.

However, the emphasis should be primarily on improving governance as a necessary driver for the development of the ESG agenda.

Brazilian public companies lack robust governance structures. Listing requirements, including corporate governance, are not sufficiently stringent, and there is little enforcement action against violators. With the introduction of super-voting shares and a respective departure from the "one share, one vote" approach, global investors are pessimistic about investing in Brazil.

The requirements of Novo Mercado, the listing segment of the São Paulo Stock Exchange, for an annual board evaluation are intended to stimulate the implementation of management functions. Advanced boards will use the evaluation as an opportunity to influence the efficiency of individual directors and the overall board culture. Nevertheless, there are concerns that such evaluations will be conducted just formally.

Shareholder control over the professionalism, independence of directors, and the process of their appointment is gradually increasing. However, in recent years much attention has been paid to the gender diversity of the board, largely due to pressure from global investors.

In Western countries, the understanding that companies should have other stakeholders in addition to shareholders as well as other goals in addition to maximizing shareholder value has mainly occurred in the last decade as a result of new challenges (climate change, the threat of key resource shortages, economic stratification of society, the economic crisis caused by the COVID-19 pandemic, etc.). At the same time, some jurisdictions already had a variety of corporate goals at the time the Western world realized their importance, and as the experience of some of Asia's largest economies shows, having such goals does not always ensure the quality of management and efficiency of the company.

Japan

Japan's postwar economic miracle was made possible in the context of corporate governance taking into account the interests of various stakeholders. Shareholder votes were not the only determinants of company policy. The Japanese model of governance was called the "company community," in which the boards of directors consisted mainly of lifetime employees. The difference in wages between top management and frontline employees was relatively small. Shares were owned by members of informal corporate keiretsu groups and their main banks (so-called cross-shareholding) as an unofficial symbol of commitment to keiretsu and for

protection against hostile takeovers, but not for profit by maximizing share value. It was the main bank, not the shareholders, who resolved problematic situations in the company.

However, this system, which functioned well during the period of rapid growth, led the country into a financial crisis in the early 1990s. The ensuing series of reforms aimed to extend to Japanese companies a pro-shareholder model of management along the American example (boards of directors consisting of independent directors, a Delaware-style regulatory framework for hostile takeovers), did not quite succeed. Until the 2010s, there were no independent directors in the most public companies. Although cross-shareholdings declined, while the number of foreign shareholders grew, Japan has long been the only major developed economy with no examples of successful hostile takeovers.

Since the early 2010s, Japan's governance system has been reoriented towards the interests of shareholders with the adoption of the 2012 Good Governance Code for Investors and the 2015 Corporate Governance Code. Meanwhile, other corporate goals remain in place, and the revised 2021 Corporate Governance Code defines compliance with ESG principles as one of the pillars of good corporate performance.¹

The Tokyo Stock Exchange (TSE) was reorganized in 2022 with the aim to introduce stricter listing standards and attract foreign investment. Its four sections were transformed into three tiers marked by respective standards of trading liquidity and corporate governance, Prime, Standard and Growth. As part of the reform, the Companies Act and the Corporate Governance Code were revised. It should be noted that many analysts are pessimistic about the effectiveness of this reorganization.²

The revised Company Law specifies the need for outside directors for certain types of Japanese companies. In the Code for listed Prime level companies, the recommended minimum number of independent directors has been increased from two to one-third of the board. In the near future, companies may face a shortage of qualified independent directors due to the increased demand as a result of new requirements.

Japan is second only to the U.S. in shareholder activism, and such activism continues to grow. In 2015, shareholder-activist campaigns against Japanese corporations accounted for 6% of all such campaigns worldwide, excluding the US. At the beginning of 2022, this share was 26%.³

Still, despite the reforms, corporate performance in Japan remains low. Experts continue to call Japan's corporate governance problematic, pointing to the importance not only of legal and institutional changes, but also to the need for changes in mindset and behavior, which will be a long process.

1 *Mielcarz P., Osiichuk D., Puławska K.* Increasing shareholder focus: the repercussions of the 2015 corporate governance reform in Japan // *Journal of Management and Governance*. 2021.

2 The Tokyo Stock Exchange has been reformed hoping to attract foreign investors. URL: <https://rossaprimavera.ru/news/212efea5>

3 H1 2021 Review of Shareholder Activism. URL: <https://www.lazard.com/media/451807/lazards-h1-2021-review-of-shareholder-activism-vf.pdf>

China and India

Since 1994, China's Company Law calls for corporations to act ethically, to strengthen Chinese socialist society, and to be accountable to the public. The law recognizes company employees as important stakeholders. The draft amendments to the 2021 Company Law also point out the need to consider environmental and social interests and for the company to take on social responsibility.

In 2002, China adopted a European-style CGC. However, instead of proclaiming shareholder value maximization as the main goal of management, the code already called on listed companies to take care of welfare, protect the environment and public interests and focus on the company's social responsibility. The 2018 code went even further, calling, for example, for aid to poor regions and villages.

Thus, China has long had a variety of corporate goals. Nevertheless, much depends on the policies of the Chinese Communist Party, which can set company goals both for the public good and to increase its influence¹, to achieve these seemingly good corporate goals, regardless of the company's form of ownership.

According to the Chinese Company Law, a party organization may be established in any company to conduct activities of the Communist Party (Art. 19), which in practice is one of the main participants in management, while the limits of this participant's influence remain unclear.

Moreover, despite the improvement in the quality of corporate governance in China in recent years, a large number of companies with concentrated ownership and controlling shareholders whose boards of directors are not transparent, is affecting investor activity. Questions remain about transparency of ownership structures and corporate governance. As a rule, independent directors in Chinese companies lack business experience, and they are not perceived as advocates of minority rights.²

India's corporate governance rules also take into account the interests of a wide range of stakeholders. For example, after independence in 1947, the Indian Companies Act was amended to require companies to act not only in the interests of their shareholders but also in the public interest. Updated in 2013, the Companies Act, requires directors to act in the best interests of the company, shareholders, employees, society, and the environment.

Nevertheless, although the principles of corporate governance adopted in India are of sufficient quality (the Asian Corporate Governance Association estimates the quality of governance rules in India at 69%, while a good indicator is more than 70%³), and the causes are noble, the country faces problems regarding their

1 Puchniak D.W. No Need for Asia to be Woke: Contextualizing Anglo-America's 'Discovery' of Corporate Purpose. European Corporate Governance Institute – Law Working Paper No. 646/2022. URL: <https://ssrn.com/abstract=4122483>

2 Corporate governance in China: key takeaways for investors. URL: <https://www.unpri.org/pri-blog/corporate-governance-in-china-key-takeaways-for-investors/7398.article>

3 CG Watch 2020. Future promise: Aligning governance and ESG in Asia. URL: <https://www.acga-asia.org/files.php?aid=425&id=1345>

implementation at all levels (companies, regulators, society).¹ Existing social and environmental goals are no exception.

* * *

The ESG agenda, which complicates the understanding of corporate governance, is being actively promoted in developed and many developing countries. Intensive work on environmental and social governance is underway. The governance is receding into the background. This is often explained by the high level of traditional pro-equity corporate governance in developed countries, which nevertheless does not mean that there are no weaknesses requiring improvement (e.g. strengthening the position of investors in the EU, reviewing the role of the board of directors in the UK). Without quality corporate governance, which is the driver of the ESG agenda, greenwashing and other imitations will be taking place.

Separately, such a positive trend as growth of shareholders' activity in the management of the company should be noted. At present, this activity is mainly related to environmental matters. Nevertheless, in the future we see the shareholders' attention spreading to other spheres as well.

Meanwhile, there are countries demonstrating that transition to sustainable management is premature due to weak corporate governance unable to provide proper level of the ESG aspects, or irrelevant, as extended range of corporate goals is not something new for them, as, for example, for Asian countries.

Corporate governance, like its shortcomings, is individual, but the governance rules established in these countries cannot be called substandard. A common problem for most of them is the lack of compliance with the rules, creating the appearance of compliance.

5.3. The state of science and innovation²

Sanctions were the main factor influencing the sphere of science and innovation in 2022. Quick measures to solve the issues that arose were developed only to a certain extent. The first priority steps were made in such areas of science policy as changing the composition of reporting and accounting indicators and revising the partners and directions of international cooperation. In technological field the agenda was reoriented toward ensuring technological sovereignty. For this purpose, first of all, the following were planned: strengthening support of applied research; growth of financing of innovations from regional budgets; identification of "niches" where there is a potential for the development of necessary technologies and products.

1 Revisit corporate governance laws for Central Public Sector Undertakings. URL: <https://www.financialexpress.com/opinion/revisit-corporate-governance-laws-for-cpsus/2059190/>

2 Author: *Dezhina I.G.*, Doctor of Economic Sciences, Leading Researcher, Gaidar Institute; Head of the Analytical Department on Science and Technology Development, Skolkovo Institute of Science and Technology.

5.3.1. Sanctions and their consequences

Main factor that brought changes in the field of science and technology was economic sanctions (which made it more difficult to buy high-tech equipment and materials and stopping of equipment servicing) and those aimed at isolating Russian science (breaking institutional ties and stopping joint projects, restrictions on participation in scientific conferences, publishing articles and sanctions against individual universities). Russian science has found itself under the pressure of an unprecedented number of sanctions if we compare, for example, with the situation in Iran where American sanctions are predominantly in effect.

Immediately after the start of special military operation institutional cooperation with Russian universities was terminated by Germany, France, the United States, Canada, Denmark, the Baltic States, the Netherlands, and Finland, as well as the European Union. Cooperation at a number of mega-science facilities including CERN¹ was curtailed. It suspended the observer status of Russian Federation and cooperation with Russian institutions despite the fact that Russian side provided part of funding and equipment for the Large Hadron Collider. Partnerships at Europe's ExoMars 2022 and joint projects at the largest X-ray laser XFEL in Germany were terminated although Russia made a significant financial contribution to its construction and made unique magnets for the facility. Work was also frozen on German Space Agency's eRosita X-ray telescope aboard Russian Spektr-RG observatory.²

In March, the U.S. suspended its participation in the Arctic Council chaired by Russia. In June, the U.S. and other Arctic Council countries announced resumption of some projects including scientific research on the condition that they do not involve Russian government.³

Countries that terminated cooperation with Russian scientific organizations and universities noted viability of maintaining individual ties. Possibility of maintaining such contacts is quite illusory as each scientist is associated with an organization. In addition, team science prevails today in almost all research fields and the average number of participants in scientific groups is growing. Therefore, it is possible to maintain individual connections in a fairly narrow range of disciplines where researchers work mostly independently rather than in groups.

A number of publishers have stopped accepting articles from Russian authors⁴ including those from universities on U.S. Treasury Department's sanctions lists.⁵ Moreover, Russian scientific organizations and universities have been

1 Solidarity with Ukraine. URL: <https://home.cern/solidarity-ukraine>

2 *Leibin V.* Disconnecting from the scientific network // *Expert*. 9 may 2022. URL: <https://expert.ru/expert/2022/19/otklyucheniye-ot-nauchnoy-seti/>

3 *Ambrose M.* US Restricts Science Collaborations with Russia // *FYI Bulletin*, No. 47. 17 June 2022. URL: <https://www.aip.org/fyi/2022/us-restricts-science-collaborations-russia>

4 *Brainard J.* Few journals heed calls to boycott Russian papers // *Science*. 10 March 2022. doi: 10.1126/science.adb1981. URL: <https://www.science.org/content/article/few-journals-heed-calls-boycott-russian-papers>

5 In particular, MIT issued a circular according to which even informal communication with employees of Skoltech and Phystech, including the preparation of joint publications, should be stopped immediately. Zuber N. New U.S. Sanctions Prohibit Collaborations with Certain Russian Entities // MIT. 5 August 2022. URL: https://orgchart.mit.edu/node/27/letters_to_community/new-us-sanctions-prohibit-collaborations-certain-russian-entities

disconnected from the Web of Science database which has not been done, for example, in relation to Iran. Major scientific publishers (Elsevier, Springer/Nature, IOP Publishers, etc.) have officially announced¹ that Russian organizations have been cut off from access to their journals. Russian authors were deprived of the opportunity to publish articles in Open Access journals. Indexing of Russian publications in Crossref² was suspended. Since Russian journals account for about 3% of the world's scientific output cut off from most sources of information has drastically limited the ability of Russian researchers to keep up to date of current scientific achievements.

Opportunities to hold international conferences in Russia and to participate in foreign events have also declined. Moving an International Mathematical Congress which was to be held in July in St. Petersburg to an online format³ was a landmark move after growing pressure from national mathematical societies and invited speakers. In terms of participation of Russian scientists in international conferences in addition to the political aspect there is also a financial one due to difficulty of transferring abroad payment for the organizational fee. One cannot also ignore the ban on flights by Russian airlines which has complicated and significantly increased the cost of personal attendance at conferences abroad.

A survey of 577 heads of scientific institutions and universities confirmed that sanctions mostly affected various types of international cooperation including commercialization of R&D results abroad and opportunities to obtain foreign funding or publication in international papers.⁴ Furthermore, managers expect a drop in participation in international conferences, a decrease in the number of articles in foreign publications and a decline in access to foreign databases of scientific information in the future.

It is worth noting that in the field of international cooperation, sanctions have had a negative impact not only on Russian science. For example, termination of participation of Russian scientists in projects of the European Union in a number of cases led to inability of partners from other countries to continue research.⁵ In turn, because of the withdrawal from JINR (Joint Institute for Nuclear Research in Dubna) projects, foreign partners cannot conduct joint experiments which predetermine retardation in development of a number of topics.⁶

1 Publishers condemn invasion of Ukraine by Russia. URL: <https://mailchi.mp/4851e2a74119/joint-publisher-statement>

2 *Rara-Avis A.* Academic boycott and political persecution: Russian science in the time of war. April 11, 2022. URL: <https://www.opendemocracy.net/ru/rossiyskaya-nauka-vo-vremya-voyny/>

3 *Gaind N., Else H.* Global research community condemns Russian invasion of Ukraine // *Nature*. 2022. No. 603. P. 209–210. doi: <https://doi.org/10.1038/d41586-022-00601-w>

4 The survey was conducted in November 2022. See.: *Vlasova V., Gershman M.* Making the science in Russia: moods and expectations // *Science. Technology. Innovation. Express-information*. 14 December 2022. URL: <https://issek.hse.ru/news/802297927.html>

5 *Lem P.* War forces post-Soviet scholars to choose between Russia and West // *Times Higher Education*. 19 March 2022. URL: <https://www.timeshighereducation.com/news/war-forces-post-soviet-scholars-choose-between-russia-and-west>

6 *Loshak V., Grigory Trubnikov,* General Director of the Joint Institute for Nuclear Research in Dubna, on who loses first to sanctions and the search for trust between scientists and the state // *Kommersant*. 29 October 2022. URL: <https://www.kommersant.ru/doc/5608815>

Impact of economic sanctions has been traumatic no less. Problems with updating scientific equipment and access to software and updating technical aids used in modern science have a direct impact on quality of findings. Sanctions limited the import of high-tech equipment and its maintenance while, according to estimates, 80% of tenders for supply of equipment to scientific organizations were won by foreign companies from unfriendly countries.¹ However, situation with software turned out to be even more complicated. If scientific equipment can be operated without replacement for 5–7 years and components and laboratory materials can last for a year, ban on the use of computer programs for scientific calculations had an immediate effect since any analogues of the programs are of poorer quality.²

Evaluation of medium-term effects of sanctions have shown that the greatest damage is done to the human resource potential of science mainly owing to the increased “brain drain”. New wave of departures included both strong scientists who received contracts and grants abroad and those who did not have invitations to work. In addition, not only guest foreign scientists began to leave the country³ which became especially noticeable in universities⁴ but also leading scientists who are fellow countrymen.⁵ Number of researchers who left Russia is unknown. Moreover, there are not even tentative figures for “researchers” (or “scientists”). Moreover, it is not known how many of them have gone abroad temporarily – to wait it out, working on a grant or short-term contract or the number of those who have the opportunity to work remotely and decided to temporarily do so abroad.

In addition to the push factors, there were external “pull” factors of a selective nature. These include various foreign assistance programs for Ukrainian, Russian and Belarusian scientists who left the country⁶ as well as initiatives to make it easier to obtain work visas. The U.S. is interested in selected specialists, primarily those with experience in semiconductors, cybersecurity, artificial intelligence, nuclear and space technologies and a number of other specialized scientific fields.⁷ In general, the pool of potential beneficiaries is very limited and does not stimulate a serious exodus. However, information that further escalated things has begun to spread, such as that the U.S. intends to issue 100,000 visas to Russian scientists⁸.

1 Voronin N. The isolation of Russia would hit Russian science hard and affect world science. 10 March 2022. URL: <https://www.bbcussian.com/russian/features-60682102>

2 Give science freedom. Scientists talk about how to resist sanctions // RIA Novosti. 4 April 2022. URL: <https://ria.ru/20220316/nauka-1778138471.html>

3 Balashova A. «Skolkovo» и Skoltech: «We keep forgetting that we are not in the USSR» // RBK. 15 August 2022. URL: https://www.rbc.ru/interview/technology_and_media/15/08/2022/62f2a5ca9a7947785cd167d1

4 Foreign professors quit the Tyumen School of Advanced Studies – what will happen next? // 72.ru. 1 June 2022. <https://72.ru/text/education/2022/06/01/71369477/>

5 Tuyeva E. We do not observe a total flight of foreigners, although there are some sad losses // Kommersant. 22 May 2022. URL: <https://www.kommersant.ru/doc/5357614>

6 Funding Opportunities and Help for Scholars from Ukraine, Russia and Belarus. URL: <https://eapil.org/funding-opportunities-and-help-for-scholars-from-ukraine-russia-and-belarus/>

7 Popova T. Brain Drain as a New Global Weapon of the U.S. // Nezavisimaya Gazeta – Science. 5 May 2022. URL: https://www.ng.ru/world/2022-05-05/100_usa050522.html

8 Chumakov K. Monkeypox. Coronavirus is not defeated. War will kill Russian science. 24 May 2022. URL: <https://www.youtube.com/watch?v=THrHUEMjHrQ>

This is obviously impossible since there are fewer than 100,000 researchers with PhD and doctoral degrees working in the country.¹

First sample surveys of emigrants demonstrated that the new wave of “brain drain” was prevailed by researchers who did not have invitation to work. Thus, from online interviews conducted in April 2022 with 60 highly educated emigrants² who left Russia after February 24,³ it became known that the majority left for Armenia, Georgia, Israel, and Turkey. These countries were chosen for temporary residence while the search for work is mainly conducted in the U.S. and EU countries. The easiest way to find a job was for postgraduates and postdocs especially for those who already had partnership experience (internships) in foreign universities. It should be noted that this survey was conducted before the beginning of partial mobilization during which the flow of emigrants surged. There are estimates, the grounds for which are not given, that the total outflow of researchers in 2022 stood at around 10% of their total number, i.e. we are talking about 35,000 people and probably a high gender imbalance.

At about the same time in April-May 2022, a survey of 4,100 Russian researchers in the country was conducted which included an assessment of changes in emigration attitudes. They increased for 31.6% of respondents and did not change for 57%.⁴ Those under 39 years of age (51%) were most willing to go abroad and it is this group that has the best chance of finding work abroad.

Experts also consider the growth of isolationist sentiments and corresponding rhetoric to be the effects of sanctions.⁵ Meanwhile, history of the anti-German and anti-Soviet boycotts shows that if a country has a significant scientific complex, then the removal from world science has no serious consequences in the short term.⁶ In historical record one can find different estimates of the average effectiveness of sanctions: on average, they are between 20%⁷ and 40%.⁸

Characteristically, many scientists abroad supported sanctions against Russian science. Thus, an anonymous online survey of 240 scientists working in the EU (not of Russian or Ukrainian origin constituted about one-third of the sample) showed that 62% support sanctions and only 25% oppose them. Furthermore, 75% believe it is correct to terminate institutional relations and programs involving Russian state universities and scientific institutions and 37% believe it is necessary to

1 Science Indicators: 2022. Statistical Compendium. M.: NRU HSE, 2022. P. 54.

2 The respondents' ages ranged from 20-60 years old with the majority being 30-45 years old; the majority of respondents were residents of Moscow all with higher education and some with advanced degrees. However, this was not a professional cross-section of researchers.

3 *Borusyak L.* A New Wave of Highly Educated Emigrants: Why Are They Leaving Russia?// *Palladium*. 2022. No. 3 (2). P. 98–115. DOI: 10.55167/29b32cb46280

4 *Gusev A.B., Yerevich M.A.* Science policy of Russia – 2022: a profession is not dearer than the motherland. M.: OOO «Buki Vedi», 2022. P. 10.

5 *Baker S.* Do academic boycotts work? // *Times Higher Education*. 9 March 2022. URL: <https://www.timeshighereducation.com/depth/do-academic-boycotts-work>

6 *Gordin M.* A century of science boycotts // *Nature*. 2022. No. 606. P. 27–29. doi: <https://doi.org/10.1038/d41586-022-01475-8>

7 *Mulder N.* How America Learned to Love (Ineffective) Sanctions // *Foreign Policy*. 30 January 2022. URL: <https://foreignpolicy.com/2022/01/30/us-sanctions-reliance-results/>

8 *Morgan T.C., Bapat N., Kobayashi Y.* Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset // *Conflict Management and Peace Science*. 2014. No. 31 (5). P. 541–558. URL: <https://doi.org/10.1177/0738894213520379>

terminate individual cooperation as well. Finally, about a third of the respondents support the idea of not accepting articles by Russian authors for publication in international scientific journals.¹

In response to sanctions government began to introduce response and countermeasures. They boiled down to the following main areas:

- abandonment of accounting principles for publications in journals indexed in the Web of Science and Scopus databases and developing a national system for assessing performance of science; strengthening the focus on development of Russian scientific journals;
- reorienting international scientific cooperation toward countries that have not imposed sanctions. Among other things, it is planned to modernize the megagrant program by expanding cooperation with representatives of the scientific diaspora from countries that have not imposed sanctions;²
- increased support for applied research that is important for regional development and for formation of technological sovereignty. Including increased attention to creation of the material base of science (and for this purpose initiation of the Federal project “Development of domestic instrumentation for civil purposes”³).

Let us elaborate on these areas.

5.3.2. Changing the system of assessment of science effectiveness

The system for assessing effectiveness of scientific research, which has been widely used in recent years was based on accounting publications indexed in the international scientific citation databases Web of Science and Scopus. In March⁴ a discussion began of a new idea that is based on rejecting this principle and reorientating to inhouse system of ranked scientific journals while removing the requirement to publish in papers indexed in foreign databases. Intention to start actively developing open access⁵ journals was also expressed, possibly in cooperation with the BRICS countries.

Second idea for forming a new evaluation system was to introduce indicators that would account works that didn't conclude with reports on R&D but instead concluded with practical results (for example, finished products).⁶ If we look at Russian science in terms of types of research, then publications from only 20–25% of

1 Science Business survey: Most European researchers support science sanctions on Russia. 27 October 2022. URL: <https://sciencebusiness.net/news/sciencebusiness-survey-most-european-researchers-support-science-sanctions-russia>

2 *Volchkova N.* When the thunder roared. Measures to support science under sanctions are outlined // Poisk. 15 April 2022 No. 16. P. 3. URL: <https://poisknews.ru/magazine/kogda-gryanul-grom/>

3 Developed in accordance with Executive Order of the President of the Russian Federation of February 10, 2022 No. Pr-290.

4 Experts discussed creation of the National System of Research and Development Performance Evaluation. 11 March 2022. URL: https://www.minobrnauki.gov.ru/press-center/news/?ELEMENT_ID=48219

5 Ministry of Education and Science and the Russian Academy of Sciences are working on joint solutions for the development of Russian scientific journals. 29 July 2022. URL: <https://minobrnauki.gov.ru/press-center/news/novosti-ministerstva/55782/>

6 *Mikhailchenko N.* The Broken Mirror of Bibliometrics // Stimul online. 17 March 2022. URL: <https://stimul.online/articles/science-and-technology/razbitoe-zerkalo-bibliometrii/>

scientists can be considered relevant, as the rest are engaged in applied research and development¹ in one way or another.

As early as March 19 an RF Government Decree was published that prohibited the use of publication activity indicators in papers indexed in the international databases Web of Science and Scopus² until December 31, 2022 as well as abandonment of the following evaluations: effectiveness of scientific, scientific and technical and innovation programs and projects, provision of grants in form of subsidies as well as activity effectiveness of budget and autonomous institutions and other organizations and work of their managers. Requirement for participation in foreign scientific conferences was also cancelled along with publications on results of such conferences. Work of expert councils of Russian Science Foundation (RSPF) was restructured accordingly, increased attention being paid to quality of published articles rather than the place of their publication.³ At the same time, requirements for preparation of articles in co-authorship with foreign colleagues⁴ were alleviated. In addition, Russian Science Foundation expressed its intention to strengthen the evaluation of practical results of projects.

By August, it became clear that decisions made indicated the beginning of a long-term restructuring of the system in which science functions. Ministry of Science and Higher Education issued an order according to which, starting from 2025, points for articles written by scientific and pedagogical university staff will be awarded only for publications in scientific journals included in the list of the Higher Attestation Commission (HAC).⁵ In the meantime, a transition period of two years is established. Scientific publications in WoS and Scopus in 2019–2020 will be taken into account in 2023, while those published in 2021 will be accounted for in 2024. In late September, the following requirements were extended until December 31, 2023:⁶ requirement to publish in scientific journals indexed in the international databases Web of Science, Scopus, requirement to participate in foreign scientific conferences, as well as a requirement to consider these indicators in performance evaluation.

As National System of R&D Performance Assessment was being developed, a list of scientific publications was created, being published in which will now be taken into account when evaluating results. By November, two lists of publications

1 Science Indicators: 2022. Statistical Compendium. M.: NRU HSE, 2022. P. 131.

2 RF Government Decree of 19.03.2022 No. 414 «On some issues of the application of requirements and target values of indicators related to publication activity». URL: <http://actual.pravo.gov.ru/text.html#pnum=0001202203210040>

3 Position of Expert Councils of Russian Science Foundation on the issue of accounting for publications // RSF Press-Service. 6 May 2022. URL: <https://rscf.ru/news/found/pozitsiya-ekspertnykh-sovetov-rnf-po-voprosu-ucheta-publikatsiy/>

4 *Mishenko E.* It is not worth pouring young wine into old bottles. Publications and Science Metrics in the Context of Sanctions // Indicator.ru. 23 May 2022. URL: <https://indicator.ru/humanitarian-science/ne-stoit-vlivat-molodoe-vino-v-starye-mekhi-publikacii-i-naukometriya-v-usloviyakh-sankcii.htm>

5 *Mishina V., Kurilova A.* Evaluation of university development will be revised to take into account the "new realities" // Vedomosti. 19 August 2022. URL: <https://www.vedomosti.ru/society/articles/2022/08/18/936683-razvitiya-vuzov>

6 RF Government Decree of 19.09.2022 No. 1655 «On amending the first paragraph of article 1 of Resolution of Government of the Russian Federation from 19.03.2022 No. 414». URL: <http://publication.pravo.gov.ru/Document/View/0001202209210014>

appeared – the White List and the VAK list. The VAK list included 2,593 Russian scientific publications, including the ones indexed in Web of Science and Scopus, as well as 944 journals of the RSCI (Russian Science Citation Index – “Russian shelf of Web of Science”),¹ which were divided into three categories by quartiles. The quality of some of the journals on the list was considered by a number of authoritative experts to be insufficiently high and VAK plans to consider all the comments.

In turn, the White List which was compiled by Interdepartmental Working Group of the Ministry of Science and Higher Education of the Russian Federation includes more than 30,000 titles. These are all publications indexed in Web of Science Core Collection and Scopus, as well as Russian journals included in RSCI (“RSCI Core”).² White List has not yet been sorted and some duplicates occur (for example, this applies to translated Russian-language journals). There is a plan to verify the list by a large number of experts and to make the selection system more transparent. The list has not yet been ranked and proportions of the VAK list will probably be used: 25% of journals will be placed in the first category and 25% in the third category and the rest will receive the second category. At the same time, there were no restrictions on publications of results in foreign journals. This will be a test of how effective the past experience has been and whether researchers will still seek to get into journals indexed in Web of Science and Scopus or will lower their bar of requirements.

According to optimistic expectations it is on the White List that scientometric part of the National System of Evaluation of Effectiveness of Scientific Research and Development will be based. However, if lobbyists of “full autonomy” from foreign bases win then the system of evaluation will be based on the VAK list. A way to mitigate negative consequences of such scenario could be a more active transition to the system of open access since it imposes higher requirements for the quality of initial scientific data³ and, therefore, promotes scientific integrity which has declined⁴ in recent years as a result of the publication race.

It should be noted that tendency to use bibliometric indicators to evaluate individuals and organizations is contrary to the changes taking place in countries with advanced science. Thus, in 2022 more than 300 European organizations signed an agreement to reform the evaluation of scientific research. Transition to using mainly qualitative indicators is announced as well as inclusion in the evaluation system activities such as teaching, expert and administrative work.⁵ European Research Council is also changing the procedure of how grant applications are

1 Vasylyva A. Scientists will respond to articles // *Kommersant*. 3 November 2022. P. 4. URL: <https://www.kommersant.ru/doc/5650549>

2 «White list» of scientific journals. URL: <https://journalrank.rcsi.science/ru/>

3 *Dezhina I.G.* International scientific cooperation of Russian universities under new conditions: Constraints and opportunities // *EKO*. 2022. No. 11. P. 125–143. DOI: 10.30680/ECO0131-7652-2022-11-125-143.

4 *Trubnikova E.I.* The Exchange of gifts in the academic sphere: Predatory practices, false signal, and conflicts of interest in excellence programs // *Mir Rossii*. 2022. No 31 (1). P. 25–48. <https://doi.org/10.17323/1811-038X-2022-31-1-25-48>

5 *Upton B.* Centralised hiring a barrier to research assessment reform // *Times Higher Education*. 21 December 2022. URL: <https://www.timeshighereducation.com/news/centralised-hiring-barrier-research-assessment-reform>

evaluated in favor of paying more attention to applicants themselves rather than to their past achievements (the Hirsch index and other scientometric parameters).¹ In the context of sanctions restrictions in Russia, a similar revision of evaluation principles could help to increase the accuracy when measuring the results, which itself has become the task of prime importance.

Meanwhile, National Performance Assessment System being developed includes not only a journal policy but also a new approach to monitoring, which is based on a scale called “percentage of completion of a scientific result”. This approach is rightly criticized because not only the concept of “completion of scientific result” opposed to “technology completion” is an unclear measure, but it is also planned to be verified by involving business (apparently, in the area of applied research). However, business actors cannot always give an objective assessment of the result’s prospects. Finally, with regard to the social and humanitarian sciences this approach may be completely unworkable.

5.3.3. New focus of international cooperation

International scientific cooperation has been forced to restructure because of sanctions and completion of the unfriendly countries list. Unfriendly countries are the main scientific powers that account for about 65% of the world’s expenditure on research and development.² For many years main partners of Russian scientists were organizations and researchers from such countries (primarily the United States, Germany, Great Britain and France), although in the last decade cooperation with them has somewhat declined.

China with which scientific cooperation has been strengthening in recent years has turned out to be a promising partner among friendly countries.³ In China international cooperation is expanding (not only with Russia) and the government has increased funding for the National Natural Science Foundation by about 7% per year over the past three years.⁴ It is planned to work on global issues which creates preconditions for cooperation with Russia. Moreover, potential for developing relations is limited by the fact that in 2022 according to Clarivate, Russia was ranked 20th by the scale (and therefore significance) of cooperation with China.⁵ In addition to China, there are plans to expand cooperation with other “world majority” countries including India and Iran. So far, friendly countries,

1 *Upton B.* ERC evaluation overhaul focuses on proposals over track record // Times Higher Education. 21 December 2022. URL: <https://www.timeshighereducation.com/news/erc-evaluation-overhaul-focuses-proposals-over-track-record>

2 Head of Russian Academy of Sciences Sergeev against the rupture of scientific cooperation with unfriendly countries // Interfax. 1 June 2022. URL: <https://academia.interfax.ru/ru/news/articles/8538>

3 *Gaind N., Abbott A., Witze A., Gibney E., Tollefson J., Irwin A., Van Noorden R.* Seven ways the war in Ukraine is changing global science // Nature. 2022. No. 607. P. 440–443. DOI: 10.1038/d41586-022-01960-0

4 *Williams T.* China’s dip in research collaboration ‘temporary’, funder insists // Times Higher Education. 12 October 2022. URL: <https://www.timeshighereducation.com/news/chinas-dip-research-collaboration-temporary-funder-insists>

5 *Johnson J., Adams J., Grant J., Murphy D.* Stumbling bear, soaring dragon. Russia, China and the geopolitics of global science. Harvard Kennedy School for Business and Government, Clarivate, The Policy Institute, King’s College London. July 2022.

primarily China and India account in total for less than 20% of the total number of international publications by Russian scientists.¹

The pivot to the East was accompanied by identifying mutually beneficial areas and forms of cooperation. Thus, RAS has identified areas of mutual interest with Iran which include nanotechnology, biotechnology and information technology.² These areas are the most developed in Iran and they have long been supported by the government. In terms of potential forms of cooperation, creation of branches in universities and research institutes is considered in friendly countries, including CIS.

Meanwhile heads of Russian Academy of Sciences spoke in favor of finding ways to continue cooperation with unfriendly countries³ including the fact that main breakthroughs are currently being made in international teams.⁴ Such position is also supported by many representatives of the scientific community: according to the survey carried out in April-May 2022 among 4100 Russian scientists 76,3% of them consider cooperation with foreign scientists and their teams from unfriendly countries acceptable, at least on a personal level.⁵

Also, measures were taken to decrease cooperation primarily with the United States. Government Edict No. 1350-r of May 28, 2022 terminated the Memorandum of Understanding between the Government of the Russian Federation and the Government of the United States on principles of cooperation in culture, humanities and social sciences, education, and mass media, that was signed in Moscow on September 2, 1998.

In response the White House announced that in accordance with U.S. domestic and international law, institutional, administrative, financial, personnel, and S&T cooperation with Russian government research institutions and individuals who continue to work at or under the direction of those institutions will be terminated. Projects and programs initiated and/or funded prior to February 2022 may be completed but new ones will not be initiated.⁶

There remain areas of international cooperation where Russia, the United States, and a number of EU countries have continued to cooperate. This refers

1 *Pertsova V., Kirilochkina V.* Isolation from the global community and the brain drain: what the future holds for Russian science // *Forbes*. 21 march 2022. URL: <https://www.forbes.ru/forbeslife/459339-izolacia-ot-mirovogo-soobsestva-i-utecka-mozgov-kakoe-budusee-zdet-rossijskuu-nauku>.

2 *Burmistrov A.* Russian scientists develop cooperation with Iran // *Scientific Russia*. 20 april 2022. URL: <https://scientificrussia.ru/articles/rossijskie-ucenye-razvivaut-sotrudnicestvo-s-iranom>

3 *Academician Alexei Khokhlov:* "Science in the new Russia is my peak Communism." // *Scientific Russia*. 2022. No. 5–6. URL: <https://scientificrussia.ru/articles/akademik-aleksej-hohlov-nauka-v-novoj-rossii-eto-moj-pik-kommunizma-v-mire-nauki-no5-6>.

4 *Alexander Sergeev:* Russia has always found a way out of hopeless situations // *RG – federal edition*. 15 марта 2022. No. 55 (8703). URL: <https://rg.ru/2022/03/15/aleksandr-sergeev-rossiia-vsegda-nahodila-vyhod-iz-bezvyhodnyh-situacij.html>

5 *Gusev A.B., Yurevich M.A.* Science policy of Russia – 2022: a profession is not dearer than the motherland. M.: OOO «Buki Vedi», 2022. P. 26.

6 *Guidance On Scientific and Technological Cooperation with the Russian Federation for U.S. Government and U.S. Government Affiliated Organizations* // Press release. White House. 11 June 2022. URL: <https://www.whitehouse.gov/ostp/news-updates/2022/06/11/guidance-on-scientific-and-technological-cooperation-with-the-russian-federation-for-u-s-government-and-u-s-government-affiliated-organizations/>

exclusively to megascience facilities, i.e., joint scientific work in unique facilities. Cooperation at the ITER thermonuclear complex in France where Russia is one of the founding members has not been terminated. Partners' main contributions are manufacturing and supplying high-tech equipment for ITER. Europe provides about 45% to the cost of building the facility. Other countries including Russia provide 9.09% each. However, what is more important is that Russian specialists are involved in the production of 25 unique systems that involve more than 30 leading Russian scientific and technical organizations. Russia continues to manufacture and send appropriate technological elements and complexes to ITER.¹ Second area where U.S.–Russian cooperation continues is the joint operation of the International Space Station due to it being a legally binding partnership.² Third, Russia continues to participate in the European Synchrotron Radiation Facility (ESRF), an accelerator complex located in Grenoble.³

Finally, while developing an ideology in the field of international scientific cooperation, the Ministry of Education and Science together with the Ministry of Justice created a working team to protect national interests in science and higher education from external influence.⁴ Special attention is supposed to be paid to the activity of NPOs as providers of “hidden influence”. The list of NPOs – undesirable organizations, is constantly being expanded including the Woodrow Wilson International Center for Scholars⁵ located in the United States which after the collapse of the USSR implemented internship programs for Russian scholars in the social sciences.

5.3.4. Turn to applied sciences

Reorientation to research that is important for the country's economy, along with changes in the management system became a separate direction of scientific policy. First Deputy Prime Minister Andrey Belousov suggested introducing the position of head of scientific and technological transformation in ministries with the rank of deputy minister.⁶

A loud resonance was caused by a statement of Ministry of Science and Higher Education of the Russian Federation that the subjects of works of fundamental research starting from 2023, should be coordinated with the governors⁷. Almost immediately it was explained that it concerns not all organizations engaged in

1 Polkanov V. Scientists tame fusion // *Nezavisimaya Gazeta – science*. 25 October 2022. URL: https://www.ng.ru/nauka/2022-10-25/12_8574_synthesis.html

2 Ambrose M. US Restricts Science Collaborations with Russia // *FYI Bulletin*, No. 47. 17 June 2022. URL: <https://www.aip.org/fyi/2022/us-restricts-science-collaborations-russia>

3 Polkanov V. Scientists tame fusion // *Nezavisimaya Gazeta – science*. 25 October 2022. URL: https://www.ng.ru/nauka/2022-10-25/12_8574_synthesis.html

4 The Ministry of Education and Science and the Ministry of Justice will protect Russia's scientific interests from external influence. 1 September 2022. URL: <https://minjust.gov.ru/ru/events/49057/>

5 The General Prosecutor's Office recognized the Wilson Center as an undesirable organization // *RIA Novosti*. 11 November 2022. URL: <https://ria.ru/20221111/genprokuratura-1830805842.html>

6 Belousov A. Positions of head of science and technology transformation should be introduced in ministries // *TASS*, 18 July 2022. URL: <https://tass.ru/ekonomika/15244967>

7 Zykina T. Ministry of Education and Science has bound scientists to approve research topics from regional heads // *RBK*. 11 April 2022. URL: <https://www.rbc.ru/society/11/04/2022/6253544f9a794784b517f0db>

fundamental research but only world-class research and educational centers (RECs) of which there are only 15 in the country. The governors will not decide whether or not to finance the declared works but will only evaluate their usefulness for the region¹.

Since the development of regional economies under sanctions will have to be taken into account when choosing the topics of fundamental research, an increase in financing of such research from regional budgets is also possible. In April, a law was adopted expanding the powers of regions to support federal scientific and educational organizations.² Now subjects of the Russian Federation can finance R&D in federal state educational institutions of higher education, federal state scientific organizations and participate in formation of such organizations. Thus, there are more opportunities for RECs to receive funds from regional budgets. Strengthening of the role of governors is really important from the point of view of assessing the significance of the results but at the same time we are talking about fundamental research where the practical output is, in principle, not obvious.

Following the REC in May, there were plans to adjust the topics of projects within the framework of the state assignments implementation of which should contribute to technological development. In this case the priority will be given to complex scientific and technical programs of the full innovation cycle where the results should be in the form of pilot batches.

Reorientation of topics to meet the changed needs of the economy in the context of sanctions can be useful since the data of a large-scale survey of researchers conducted in April-May 2022³ shows that only 18.4% of researchers believe that their work is relevant and will become even more important under the new conditions, and 34.8% recognized the decreasing importance of their research.

Increased focus on support of applied research has also affected research foundations. Last year the reform of the system of scientific foundations was completed leading to only one foundation that allocates grants for scientific research remaining – the Russian Science Foundation (RSF), its functionality adjusted as well. The Russian Foundation for Fundamental Research (RFFR) was renamed into the Russian Center of Scientific Information (RCSI)⁴ with a corresponding change in functionality. Main purpose of RCSI is information and analytical activity in the sphere of science, international scientific and technical cooperation including scientific diplomacy and provision of access of Russian scientists to scientific information. Meanwhile initial version of the RCSI charter contained a number of tasks that are performed by the RAS, which raised worries

1 *Vasilyeva A.* Science will not be given away to governors // *Kommersant*. 13 April 2022. URL: <https://www.kommersant.ru/doc/5305620>

2 Federal Law "On Amendments to Article 12 of the Federal Law "On Science and State Scientific and Technical Policy" and Article 8 of the Federal Law "On Education in the Russian Federation" from 16.04.2022 No. 108-FZ. URL: <https://docs.cntd.ru/document/350237363>

3 *Gusev A.B., Yurevich M.A.* Science policy of Russia – 2022: a profession is not dearer than the motherland. M.: OOO «Buki Vedi», 2022. P. 34.

4 The Ministry of Education and Science of Russian Federation intends to rename Russian Foundation for Basic Research into Russian Center for Scientific Information // *Science. TASS*. 15 April 2022. URL: <https://nauka.tass.ru/nauka/14389501>

in the Academy. In the final version of the RCSI charter duplication with the RAS was eliminated including in the part of the centres' expert activity. Organizational changes caused a sharp budget reduction of the RCSI and led to moving a share of funds to the Russian Science Foundation (*Table 8*).

Table 8

Public allocations for Russian Science Foundation and RCSI

Type of expense	2023	2024	2025
Russian Center of Scientific Information (former Russian Foundation for Basic Research), Rb bn	5.4	4.4	1.9
Russian Science Foundation, Rb bn	29.5	38.7	38.8

Sources: Appendix 10 to the explanatory note to Federal Law “On the Federal Budget for 2023 and for the Planning Period of 2024 and 2025”; annex 15 of the law.

A law was passed¹ in December under which RSF besides supporting fundamental research will also support experimental design and technological works (EDTW) “in order to facilitate the implementation of strategic initiatives of the President of the Russian Federation in the scientific and technological sphere”. According to that law RSF creates an expert Scientific and Technical Council which will evaluate experimental and development projects. This change in RSF’s functions means that closer interaction with development institutions that support the development and implementation of new technologies is more likely.

In general, an idea that there can be a subdivision within a foundation of basic scientific research that supports handling of applied issues is now being realized in several developed countries. For example, U.S. National Science Foundation (NSF) has established a separate directorate with the function of supporting transformational research. Similar processes are under way in Great Britain and Canada where it is being decided whether such a structure should be independent or be a part of existing foundations. In Russian version planned changes are dangerous because they increase monopolization of the RSF against the background of lack of alternatives in the form of private and non-profit research foundations, and regardless of where it is always means a decrease in quality. In USA besides the large public NSF there are many private philanthropic foundations that support science with total research funding of more than \$30 bn per year² which is 3 times more than the budget of the NSF itself. All in all, research in the USA is financed by more than 70 thousand organizations of various sizes.

1 Federal law from 19.12.2022 No. 531-FZ “On Amendments to the Federal Law “On the Russian Science Foundation and Amendments to Certain Legislative Acts of the Russian Federation”. URL: http://www.consultant.ru/document/cons_doc_LAW_434568/

2 Allen M. US philanthropic organizations spend over \$30bn a year on science // Physics World. 3 July 2022. URL: <https://physicsworld.com/a/us-philanthropic-organisations-spend-over-30bn-a-year-on-science/>

New RSF functions caused few more specific questions. First one, is the choice of areas of support for experimental design and technological work. Priority areas are known¹ but it is difficult to cover them all at once. At the end of the year, a palliative decision was made to form a Scientific and Technical Council in the field of microelectronics.² Second one, is to identify a qualified customer³ (which can be both state authorities and companies), who needs results of OCTD. In contrast to classical scientific projects which so far have been financed by the Russian Science Foundation new projects should give a clear economic result.

5.3.5. Academic and university science

New RAS Policy

In 2022, there were regular elections of members of RAS as well as an election of new president of RAS after which a new course of development of the Academy was outlined.

In June, more than 300 new members of RAS were elected.⁴ Data on formal scientific successes of the candidates (including their bibliometric indicators) was made public in advance which was a sign of a rather bold openness of the Academy. Bold, because many applicants' bibliometrically measured successes were more than modest. Most objective assessment was found to be the RSCI core percentile. This is a ranking of researchers from a particular field of science in order of decreasing number of citations of their papers from the RSCI core. The percentile can range from 1 to 100 where 1 is the group of researchers with the highest number of citations. To be considered for an academic applicant one must be in percentile 1 or 2. However, the median percentile among all RAS candidates was 5 and for colleagues elected to RAS it turned out to be 3⁵ which in general raises questions about choice of the initial pool of candidates. Moreover, in the Department of Global Problems and International Relations of RAS the median percentile of candidates for membership was higher than that of the elected (4 vs. 6). For election of RAS academicians a similar phenomenon was observed in the Departments of Mathematical Sciences, Nanotechnology, as well as Historical and Philological Sciences.

Then President of the Russian Academy of Sciences Alexander Sergeyev outlined several priorities for the Academy:

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- 1 These include microelectronics, medicine, agro-technology, genetic technology, ecology, and scientific instrumentation.
 - 2 *Vedeneyeva N.* An official and academics discovered 135 billion of extra grant money // MKRU. 27 December 2022. URL: <https://www.mk.ru/science/2022/12/27/chinovnik-i-akademiki-obnaruzhili-lishnie-135-milliardov-grantovykh-deneg.html>
 - 3 It's a challenge. The head of the Russian Science Foundation spoke about the Foundation's new tasks // Poisk. 23 December 2022. No 52. P. 2.
 - 4 Live broadcast of the general meeting of members of Russian Academy of Sciences // Scientific Russia. 1 June 2022. URL: <https://scientificrussia.ru/articles/1062022-pramaa-translacia-obsego-sobrania-clenov-rossijskoj-akademii-nauk-2>
 - 5 *Hohlov A.* Scientometrical analysis confirms that the expert selection for the election was carried out qualitatively –// RAS. 5 July 2022. URL: <https://new.ras.ru/activities/news/naukometricheskiy-analiz-podtverzhdaet-cto-ekspertnyy-otbor-na-vyborakh-proveden-kachestvenno-aleks/>

1) changing status of RAS from FSBI to “state academy of sciences”, which will allow it to become a co-founder of scientific institutes and partake in scientific research;

2) initiating a program for research institutes similar to “Priority 2030” for universities;

3) strengthening ties with real economy and regions;

4) in international activities – to maintain contacts with foreign colleagues at the level of individual researchers and laboratories.

Thus, half of the agenda corresponded to the country’s national science policy and the other half reflected position of the president of Russian Academy of Sciences related to strengthening influence of the Academy and increasing funding of the former academic institutions.

Big intrigue in the academic community followed after the election of a new president of RAS in September. Alexander Sergeev who had nominated himself for the next term and had received considerable support from the academic community withdrew the candidacy on the first day of the General Meeting of RAS.¹ Two candidates remained - Gennady Krasnikov, an academician-entrepreneur and General Director of the JSC Scientific Research Institute of Molecular Electronics and Dmitry Markovich, Director of the S. S. Kutateladsky Institute of Thermophysic SB RAS. The choice was predetermined in favor of Gennady Krasnikov whose nomination was supported by most departments of RAS.

Withdrawal of Alexander Sergeev’s candidacy was followed by criticism of his activities. Main reproach to the former president was that RAS did not become the leading organization in goal-setting and implementation of the country’s S&T policy. A number of decisions, even those related to the competence of RAS were made without taking into account opinions of its members (for example, decision regarding the tools for evaluating the results of scientific activity). Latent goal of strengthening the Academy by restoring management of scientific institutes was not achieved either. Institutes remained under jurisdiction of Ministry of Science and Higher Education. Academy could still only approve appointments of directors and charters of RAS institutes and approve decisions on reorganization and liquidation of scientific organizations.

Before the election Alexander Sergeev and Gennady Krasnikov presented largely similar agendas. Among the tasks was highlighting the importance of conducting research in the interests of real sector with G. Krasnikov identifying areas that required special attention. The task was to overcome paternalistic attitude to the university science and a broader cooperation with universities because it can accelerate the solution of applied scientific issues. However, Sergeev did not set such a task and Krasnikov wrote in his program that “*RAS should provide real scientific and methodological leadership of academic institutions that have been transferred to the Ministry of Science and Higher Education of the Russian Federation and universities in order to form a unified approach to scientific research,*” thus putting RAS above the university science.

1 RAS President Sergeev withdrew his candidacy from the election of academy’s head due to pressure // Kommersant. 19 September 2022. URL: <https://www.kommersant.ru/doc/5570400>

After his election Gennady Krasnikov significantly changed the formation of vice presidents and reduced their total number from 11 to 10.¹ In November during the meeting with President Putin² Gennady Krasnikov more clearly defined the priority areas of the Academy's work. First is the inclusion of RAS in the state system of decision-making, i.e. a new attempt to do what the two previous presidents of RAS who were elected after the reform of the Academy in 2013 failed to do. Gennady Krasnikov hopes to achieve this through the scientific and methodological management of scientific institutes with the help of commissions which until recently were created to analyze the work and evaluate institutes. These commissions are supposed to be used as a tool for coordinating new approaches in the work and evaluation of problems the institutes face. Gennady Krasnikov considers the second important task of the Presidium of RAS to be initiation of large-scale projects and then ensuring scientific and methodological management of such projects. The third direction assumes larger involvement in applied developments based on consortiums without company formation which would include representatives of fundamental, applied, university science and high-tech companies. According to the idea of new president of RAS such consortia can receive support at different stages from the Ministry of Science and Higher Education, the Ministry of Industry and Trade and a number of industry ministries as well as from production sector. Gennady Krasnikov called the areas that are related to solving problems of technological independence (microelectronics, electronic engineering, additive technologies, new materials)³ the priority ones. Such projects should accelerate translation of fundamental knowledge into practically useful results. On one hand in current conditions such approach is relevant. On the other hand, it is based on a linear model of innovation suggesting that it begins with fundamental research which has long been recognized as an outdated concept.

Thus, in comparison with Alexander Sergeyev, the new president of RAS expands the area of the Academy's activity, strengthens the focus on applied results and at the same time concentrates mainly on internal tasks, paying much less attention to involvement in the international scientific agenda and not expressing a position on issues of cooperation with foreign partners.

“Priority-2030”

There were no significant changes in the sphere of university science. Main “Priority-2030” program in which 106 universities participate continued but due to new geopolitical circumstances the dynamics of its development somewhat slowed down and discussions began on changes to be made in the program.

First of all, the need for changes is connected with the fact that the creation of consortiums with international participation has become a popular form of

1 Bykova N. RAS President of the Mobilization Era // Ekspert. 26 September 2022. No. 39. URL: <https://expert.ru/expert/2022/39/prezident-ran-epokhi-mobilizatsii/>

2 Meeting with Gennady Krasnikov, President of the Russian Academy of Sciences. 11 November 2022. URL: <http://kremlin.ru/events/president/news/69824>

3 Mikhail Mishustin meets with Gennady Krasnikov, President of the Russian Academy of Sciences. 29 December 2022. URL: <http://government.ru/news/47462/>

science development in the universities participating in the program. A number of such consortiums began to disintegrate due to sanctions. Secondly, the program was focused on considering publications indexed in Web of Science and Scopus databases but due to changes in the system of accounting of scientific results it was necessary to revise the approaches to evaluation in the program. A separate problem emerged for the universities of the research leadership track as their participation in world rankings (such as The Times Education and QS) became problematic. In the Shanghai ARWU ranking Russian universities are the weakest because it relies on the indicators of scientific achievements to a much greater extent than THE/QS including the number of Nobel laureates working at universities. That is why in 2022 ranking the best position is 501–600 among the universities participating in “Priority-2030” which is occupied by Moscow Institute of Physics and Technology¹.

In addition, analysis of the interim achievements of the programs’ participants showed that a significant number of universities with high results in various fields were not included. A comparison between universities – participants of “Priority – 2030” and the ones that did not enter the programme showed that among top 20 Russian universities-leaders by integral indicators in the field of science and development of human resource only 13 participate in the program (65%). And this is the best result. Among the leaders in terms of educational activity the program participants account for 15% and in terms of financial activity – only 5%.²

In July, the Ministry of Science and Higher Education announced adjustments to the program³ including an increased focus on bringing R&D to commercialization and scale as well as research important to the country’s technological sovereignty.

The most remarkable was the results of the implementation of the program for year 2021 by Russian Ministry of Science and Higher Education at the end of November. Universities which have not reached the target indicators were established (in all, 42 out of 106 participants of the program or about 40%) as well as universities which showed signs of presenting false reported data have been revealed (there were 73 universities or almost 70% of the total number).⁴ Tough measures were supposed to be taken against the institutions of higher education which failed to achieve indicators of achievement by more than 5%: they were to return funds to the federal budget. Institutions of higher education that might have provided inaccurate information would be subject to a ‘documentary check’. It was not been made public exactly which characteristic had not been achieved and under what parameters inaccurate information had been uncovered.⁵

1 URL: <https://www.shanghairanking.com/rankings/arwu/2022>

2 New Leading Universities: An Analysis of the Contribution to the Development of Russian Higher Education. Analytical brochure / *E.G. Grishakina, V.L. Parkacheva et al.*; Moscow Financial-Industrial University “Synergy”. M.: Synergy University Publishing House, 2022. P. 89.

3 The “Priority-2030” program may be adjusted in the context of new reality. 26 July 2022. URL: <https://minobrnauki.gov.ru/press-center/news/novosti-ministerstva/55376/>

4 Minutes of meeting of the Commission of Ministry of Science and Higher Education of the Russian Federation on the selection of Russian educational institutions of higher education for participation in the program of strategic academic leadership “Priority-2030”. November 24, 2022.

5 *Vasileva A.* Universities have mislabelled priority // *Kommersant*. 1 December 2022. URL: <https://www.kommersant.ru/doc/5695686>

As universities of the “Project 5-100” were the most experienced and also were receiving the special part of the grant, results of the inspection of those 21 universities are worth looking at. Of these only 12 reached target parameters while at the same time among these 12 universities there were 8 with signs of unreliable data. Thus, only four universities – the former participants of the “Project 5-100” – actually reached target parameters: Tomsk State University and Tomsk Polytechnic University, Baltic Federal University and PFUR. The number of universities that fulfilled their obligations but provided unreliable data included Fiztech, National Research University Higher School of Economics, Novosibirsk State University, and St. Petersburg Polytechnic University, i.e. the leading research universities of the country.

Despite the obtained assessments Expert Council of the program actually left the entry list of the participants unchanged.¹ Rotation of HEIs participating in the program which had been planned a year earlier resulted in no changes² in the research leadership track while in the territorial or sectoral leadership track three more HEIs joined making it equal to 31. Rotation which implies withdrawal of some HEIs from the program and the influx of other HEIs into it did not take place.

5.3.6. Science budgetary policy

Response to sanctions and acceleration of technological development require a significant increase in budget expenditures on R&D. Financing of the state program “Scientific and technological development of the Russian Federation” is planned to be increased but on a short-term basis. The maximum increase is planned for 2023 followed by a sharp decrease in allocations in 2025 (*Table 9*).

Table 9

Public allocations for civilian fundamental research 2023–2025

Indicator	2023	2024	2025
Federal budget expenditures on civilian R&D, overall, billion rubles	562.3	552.9	438.6
Change to previous year, %	+21.7	-1.7	-20,7
Change compared to the bill in 2022–2024., every year, %	+18.0	+15.8	–
State program “Scientific and Technological Development of the Russian Federation”	553.5	543.9	427.9

Sources: Appendix 10 to the explanatory note of Federal Law “On the Federal Budget for 2023 and for the Planning Period of 2024 and 2025”; own calculations.

Moreover, Rb125.3 bn have been allocated to National Project “Science and Universities” in 2022 and in 2023 it is planned to slightly reduce appropriations in

1 Ministry of Science and Higher Education of the Russian Federation. Minutes of the meeting of Presidium of the Council for support of development programs of educational institutions of higher education within the framework of implementation of the Strategic Academic Leadership Program “Priority-2030” dated December 21, 2022.

2 Not counting the voluntary relinquishment of funds from the special part of the Mining University grant.

comparison with the Law No. 390-FZ¹. In the National Project the most “expensive” are infrastructure projects (*Table 10*).

Table 10

**Amounts of funding for individual activities of the National Project
“Science and Universities”, Rb bn**

Topic	2023	2024
Completion of a unique megascience-class scientific installation of the Siberian Ring Photon Source Collaborative Center with experimental stations	17.5	13.8
Updating the instrumentation base of the leading organizations performing research and development	16.4	12.4
Construction of new modern research vessels of unlimited area of navigation	9.5	4.0
Developing cooperation of Russian educational organizations of higher education, state scientific institutions and organizations of the real sector of the economy in order to implement complex projects to create high-tech industries	4.5	4.5
Creation of world-class science centers	4.2	4.2
Creation of new laboratories including those led by promising young researchers	4.0	3.6

Sources: Appendix 10 to the explanatory note of Federal Law “On the Federal Budget for 2023 and for the Planning Period of 2024 and 2025”; own calculations.

Sanctions restrictions put science in conditions when problems must be solved related to the development of necessary technologies against the background of sharply reduced access to modern devices, equipment and materials. Thus, following important areas of budgetary support are:

- 1) scientific instrumentation and infrastructure;
- 2) cooperation of science and business;
- 3) R&D in small innovative companies, including startups;
- 4) R&D in selected critical industries.

In the context of targeted areas budget support is inadequate at best, and in some cases, it is lacking.

Scientific instrumentation and infrastructure (improvement of material base of science) will be supported under two federal projects – “Development of Domestic Civil Instrumentation” (a new Federal project) and “Development of Infrastructure for Scientific Research and Personnel Training” of the “Science and Universities” National Project. Annual allocation for the Federal Project “Development of the National Civilian Instrument-Making Industry” amounts to about 4 billion rubles while annual requirement is estimated at Rb10–15 bn.² Under the Federal Project “Development of infrastructure for scientific research and personnel training” expenditures will fluctuate with a slight upward trend. It has become impossible to

1 Federal Law «On federal budget for 2022 and for the planning period of 2023 and 2024» from 06.12.2021 No. 390-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_402647/

2 As of 2022, 93% of scientific equipment in Russia is imported. See.: *Bykova N.* Russia will build scientific instruments//Expert. 28 November 2022. No 48. URL: <https://expert.ru/expert/2022/48/v-rossii-budut-delat-nauchnyye-pribory/>

directly buy imported scientific equipment which is mainly produced in unfriendly countries, and buying it through third countries will be much more expensive which has not been taken into account in the budget projections.

Cooperation between science and business is supported via the framework of the federal project “Development of Integration Processes in Science, Higher Education, and Industry” which is a part of a National Project “Science and Universities”. Allocations for this project are planned to decrease in 2023–2024 in comparison with the level of financing in 2022. It would be necessary to at least keep the former level of financing because now it is necessary to strengthen and develop connections as complex projects on developing new technologies that are in progress are based on consortiums.

R&D that is supported by small innovative companies is important because they can promptly develop elements of technologies for medium and large businesses. Funds for R&D for small innovative companies and startups are allocated within the framework of the federal project “Takeoff – from Startup to IPO” and through the Fund for Assistance to Small Innovative Enterprises in Science and Technology. Reductions in allocations of both the project and the fund are planned. Federal Project is to be reduced by almost 10% annually as compared with the Law No. 390-FZ. In turn, budgetary allocations for R&D to Fund for Assistance to Small Innovative Enterprises in Science and Technology will be lower than previously planned and by 2025 they will be cut in half.

R&D in certain critically important industries can include research and development in civilian industries, electronics, IT and materials for the energy sector. The situation here is uneven: an increase in allocations is planned in a number of areas but even there the expenditures will be lower than the level of 2022.

As to the Federal project “Promotion of research and development in civilian industries” allocations will be reduced in comparison with the level of 2022 and in 2023 will amount to 70.6% of the last year’s level, in 2023 – 78.2% and in 2025 – 96.2%. Thus, only by 2025 can the level of 2022 be achieved (excluding inflation).

Support of the IT-industry will be carried out in the framework of the Federal project “Development of human resources in the IT-industry” which provides for a 10% reduction in funding annually in 2023–2024 and the termination of support in 2025. Maybe, it is predicted that in two years the staffing problem in the IT industry will be solved.

With total influx of allocations to the State program “Development of electronic and radio electronic industry” by Rb13 bn in 2023 and almost Rb95 bn in 2024 expenses on means of production and R&D will be reduced. For the “Artificial Intelligence» project, there is no financing allocated in the year 2025. Furthermore, for federal project “Scientific support of the development of electronic and radio electronic industry” 23 billion rubles was allocated in 2022 and only Rb17.5 bn is planned for 2023 with a subsequent reduction in funding.

By comparison, “Chips and Science Act” recently signed by the U.S. President provides \$52 bn over 5 years of which \$11 bn is allocated to the Department of Commerce for a number of new R&D programs. While the Department of Defense

gets \$2 bn for the National Microelectronics R&D Network.¹ If translated at the average exchange rate of 2022 (68.5 rubles per \$1) the costs are incomparable: \$13 bn for R&D (or \$2.6 bn per year) is Rb890 bn for 5 years or Rb178.1 bn annually. Moreover, in case of the U.S. – new program provides additional funds for the development of electronics.

Finally, federal project “Development of New Materials and Technologies for Advanced Energy Systems” is about to see a reduction in appropriations relative to 2022. In 2023 funding is assumed to be 51.6% of 2022, in 2024 – 42.2% and in 2025 – 39.4%. Thus, a number of critical industries will not have sufficient funds for the development of domestic technologies.

Room for redistribution of funds within the budget for civilian R&D is small. It can be mainly done by reducing financing of budget classification “fundamental scientific research” under which subsidies for fundamental research (state assignments) and grants from the Russian Science Foundation (*Table 11*) are allocated. Annually more funds are allocated to them in total than to the National Project “Science and Universities”. These funds can be partially redirected to applied research, all the more so because topics of state assignments and grants are self-motivated and often do not correspond to the real needs of the country.²

Table 11

R&D funding under subsidies to public institutions and grants from the Russian Science Foundation, Rb bn

	2023	2024	2025
Subsidies to federal state institutions for completing scientific research, information on which is placed in unified state information system of registration of research, experimental design and technological works of civil purposes	120.3	127.3	134.5
Property contribution of the Russian Federation to the Russian Science Foundation	29.5	38.7	38.8

Sources: Appendix 10 to the explanatory note of Federal Law “On the Federal Budget for 2023 and for the Planning Period of 2024 and 2025”; own calculations.

The Committee on Science and Higher Education of the Lower House of Parliament in its conclusion of the draft federal budget considered planned growth in civilian R&D insufficient and not big enough to complete tasks of technological breakthrough.³ Indeed, at the macro level R&D expenditure continues to fall: according to the data for 2021 for the first time in the past ten years it has fallen

1 CHIPS Act Funding Sets Semiconductor Initiatives Into Motion. 24 August 2022. URL: <https://www.aip.org/fyi/2022/chips-act-funding-sets-semiconductor-initiatives-motion>

2 Moreover, according to estimates by RAS President Gennady Krasnikov by the time topics of work for state assignments are formed they are often already 70–80% completed. See.: Meeting of Science and Education Council. 8 February 2023. URL: <http://kremlin.ru/events/president/news/70473>

3 *Volchkova N.* Hardly enough. The science budget will continue to shrink // Poisk. 21 October 2022. No 43. P. 3. URL: <https://poisknews.ru/science-politic/vryad-li-dostatocno-nauchnyj-byudzheto-prodolzhit-sezhivatsya/>

to 0.99% of GDP.¹ Therefore, it would be correct not to redistribute funds within the budget for R&D but to look for reserves in other budget items. Example of China is illustrative in this respect: after USA strengthened restrictions, funds are increasing annually and are allocated from the country's budget to R&D, and now the total investment in research and development has exceeded 2% of GDP.²

5.3.7. Development of technological innovation

The main task in the field of innovative development was the development of technologies necessary to ensure technological sovereignty. It was formulated by the president and the government.³ First Deputy Prime Minister Andrey Belousov defined technological sovereignty as “*maintenance of technological parity with leading countries of the world, possession of key technologies that determine the ability to solve strategic, socioeconomic and defense tasks*”.⁴ Concept of technological sovereignty has been operationalized differently at the ministerial level. Ministry of Industry and Trade defined it through the resource base as a set of measures aimed at ensuring, developing and retaining human, financial, technological and material potential within Russia aimed at the development of Russian industry.⁵ Ministry of Education and Science has not given a clear definition of technological sovereignty but it can be concluded from various speeches of the Minister of Science and news sources that it refers to “cooperation between authorities, scientific and educational sector and the real sector of the economy to quickly put the results of scientific research into practice”.⁶ Some business representatives interpret technological sovereignty more narrowly – as “ability to overcome dominance of the largest and strongest players”.⁷ That is, they view it in terms of competition between companies. Thus, despite frequent repetition the concept of technological sovereignty is interpreted broadly and diversely.

If we consider technological sovereignty as “possession of key technologies” then it means development along two parallel tracks: borrowing necessary technologies including reverse-engineering and developing domestic ones

1 Ratai T. Russian Science in 2021. // Science. Technologies. Innovation. Express information. 8 September 2022. URL: <https://issek.hse.ru/news/759541996.html>

2 China's spending on R&D expected to reach new high in 2023. URL: <https://www.ecns.cn/cns-wire/2022-09-01/detail-ihccsiks1357125.shtml>

3 Plenary session of St. Petersburg International Economic Forum // President of Russia. 17 June 2022. URL: <http://kremlin.ru/events/president/news/68669>; Meeting of the Council for Strategic Development and National Projects.. 15 December 2022. URL: <http://kremlin.ru/events/president/news/70086>

4 Speech by Andrey Belousov at a meeting of the Council for Strategic Development and National Projects. 18 July 2022. URL: <http://www.kremlin.ru/events/councils/by-council/1029/69019>

5 Grinkevich D., Kinyakin E., Boiko A., Sidorkova I. Ministry of Industry and Trade offered a way to achieve technological sovereignty // Vedomosti. 6 November 2022. URL: <https://www.vedomosti.ru/business/articles/2022/11/03/948680-minpromtorg-predlozhit-sposob-dostich-tehnologicheskogo-suvereniteta>

6 Ministry of Science and Higher Education of the Russian Federation. Breakthrough developments of Russian scientists will ensure the technological sovereignty of the country. 28 October 2022. URL: <https://minobrnauki.gov.ru/press-center/news/nauka/60896/>

7 Mechanick A. Lack of ideas means subordination// Stimul.online. 2 September 2022. URL: <https://stimul.online/articles/innovatsii/bezydeynost-oznachaet-podchinennost/>

based on the development of technological leap. Notion of technological leap implies that in a certain technology market the country is able to follow leaders at an accelerated pace and not only “catch up” with them,¹ but also find its own trajectory of technological development.² This gives the laggards an opportunity to avoid significant investments in preceding technological systems.

Complexity of the set task is not only in the need to overcome unprecedented number of sanctions but is also in the existing reliance on imports, including means of production. According to the 2021 data, dependence on imports for machinery and equipment was 58%, for drugs and medical products – 60%, for chips – more than 70%,³ for computers and electronics – 87%, for auto parts – 95%.⁴ In addition, country has virtually no clean materials⁵ which creates additional obstacles to development of new technologies. A poll held in 2022 among companies-members of Russian Union of Industrialists and Entrepreneurs (RUIE)⁶ has confirmed that domestic products are lacking most of all in the following categories: “equipment” (the share of domestic products there is only 8%) and “components” (the share of domestic products – 11%).

In this context, two lines of action become important: 1) increase of state investments, 2) minimization of bureaucratic procedures that slow down the process of development and approbation of new technologies. President of the Russian Academy of Sciences also mentioned the importance of overcoming bureaucratic barriers expressing the broad opinion of the scientific community that it is necessary to abolish the Federal Law No. 44 regulating state purchases⁷ for scientific organizations. The move will speed up the process of purchasing necessary equipment, reagents, components for prototypes and small batches⁸ which will accelerate R&D results built into production.

In addition to direct financing, indirect measures such as lower loan rates are also important for companies (*Table 12*).

1 Intellectual Property Rights, Development, and Catch up: An International Comparative Study / Ed. by H. Odagiri, A. Goto, A. Sunami. R.R. Nelson. London: Oxford University Press, 2010.

2 *Malerba F., Lee K.* An evolutionary perspective on economic catch-up by latecomers // *Industrial and Corporate Change*. 2021. Vol. 30. No. 4. P. 986–1010. DOI: 10.1093/icc/dtab008.

3 Domestic microcircuits are used mainly in the military-industrial complex and space.

4 *Sokolov A.* Russia's import dependence reached its highest level since 2014 amid rising prices // *Vedomosti*. 1 February 2022. URL: <https://www.vedomosti.ru/economics/articles/2022/02/01/907191-importozavisimost-rossii>

5 *Mechanik A.* From science to the business on science and back again: The scientist's way // *Expert*. 14 November 2022. No. 46. URL: <https://expert.ru/expert/2022/46/ot-nauki-k-biznesu-na-nauke-i-obratno-put-uchenogo/>

6 *Shokhin A.N.* Speech at the Plenary Session of the National Industrial Congress: Development Priorities. 5 October 2022.

7 Federal Law “ On the contract system for procurement of goods, works and services for state and municipal needs ” from 05.04.2013 No. 44-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_144624/

8 *Sergeyev A.* Russia has always found a way out of hopeless situations // *RG – federal edition*. 15 March 2022. No. 55 (8703). URL: <https://rg.ru/2022/03/15/aleksandr-sergeev-rossiia-vsegdannahodila-vyhod-iz-bezvyhodnyh-situacij.html>

Demand for economic policy measures from RSPB member companies to achieve technological sovereignty

Measure	Percentage of respondents who consider the measure relevant, %
Loans at a lower rate	65
Simplification of government procurement	42
Income tax reduction	40
Reducing the rate of insurance premiums	36
Reimbursement of part of the costs for the purchase of pilot batches of products	29
Creation of industrial clusters	29
Reducing the number of inspections	28
Granting the status of a single supplier	28
Support under industrial mortgages	12

Source: Shokhin A.N. Speech at the plenary session of the National Industrial Congress: Development Priorities (5 October 2022).

In July, at a meeting of the Council for Strategic Development and National Projects the President of Russia outlined the main areas of technological development (end-to-end technologies) under sanctions pressure as well as state companies that are responsible for their development: Sberbank (artificial intelligence), Russian Railways (quantum communications), Rosatom (new materials and quantum computing), Rostelecom (ICT), Rosneft (genetic technologies). Thus, main reliance is on big business which is also apparent from the list of main instruments that are planned to be used to ensure technological sovereignty:

- the most important innovation projects of national importance;
- technological programs of industry ministries and state corporations;
- beacon projects¹ in the implementation of which optimal conditions for business, including regulatory and financial models, are worked out;
- National Technology Initiative (dealing with regulatory aspects and cultivation of startups);
- for staffing technological sovereignty - support for advanced engineering schools.

Listed areas of support include direct financing and regulatory measures. First step was reverse-engineering and parallel import of components. With RF Government Decree No. 506 of 29.03.2022 the government legalized parallel imports to meet the demand for foreign devices and technologies.²

1 Currently, five beacon projects have been launched, three of which focus on the use of unmanned vehicles in different environments, one on the development of electric vehicles and another on the development of personal digital medical devices (medical assistants).

2 RF Government Decree from 29.03.2022 No. 506 «About goods (groups of goods) in relation to which certain provisions of the Civil Code of the Russian Federation on protection of exclusive rights to results of intellectual activity expressed in such goods and means of individualization with which such goods are marked cannot be applied». URL: http://www.consultant.ru/document/cons_doc_LAW_413173/

Development institutions have not yet become serious players in ensuring technological sovereignty and in general last year they actually returned to their previous organizational forms of activity. RF Government Decree No. 459 dated March 24, 2022 canceled the transfer of development institutions to VEB.RF¹ as well as relevant road map and the VEB.RF functioning as the founder and owner of properties of the Agency for Technological Development, the SME Corporation, Rusnano, Skolkovo Foundation, FRE, the Foundation for Assistance to Innovations, RFRIT and the Foundation of Infrastructure and Educational Programs. Documents on development of these structures received the stamp of For Official Use Only. Among all the listed institutes of development special attention was attracted to Rusnano.

After former head of Rusnano A. Chubais left the country, the search for causes of inefficiency of this organization intensified. Among them was the low quality of project management, errors in estimating the volume of required investments for implementation of projects, too high costs of maintaining the very staff of Rusnano. In mid-April the new head of Rusnano Sergey Kulikov appealed to the Prosecutor General's Office with a request to check activities of this organization in the period when it was headed by Anatoly Chubais². Later, in June, at a meeting with the President the head of Rusnano said that from the moment of establishment of the company and up to 2020 only Rb65 bn of extrabudgetary funding had been attracted and for the last year almost the same amount – Rb64 bn.³ Nevertheless, in October there was information about possible liquidation of Rusnano⁴. Despite the efforts taken by new management of the company it remains unprofitable partly due to inability to service the debt because to sanctions. Meanwhile an alternative scenario of transferring Rusnano to one of the corporations while reducing its functionality and reorientating it to a specific technology stack (for example, related to hydrogen transport) was also considered. Rusnano itself suggested changing the model of financing projects by increasing the share of private investment⁵. Furthermore, over the past two years Rusnano sold 70% of its assets most of which were “problematic,”⁶ at the expense of which it partially repaid its debts. Final decision on the fate of Rusnano will be made by the President of Russia.

1 RF Government Decree from 02.03.2022 No. 459 «On the Annulment of Certain Acts of the Government of the Russian Federation and on Amendments to the Order of the Government of the Russian Federation from 31.12.2020 No. 3710-p». URL: http://www.consultant.ru/document/cons_doc_LAW_413819/92d969e26a4326c5d02fa79b8f9cf4994ee5633b/

2 *Tutina V.* Kovalchuk said that Chubais did not create anything at Rusnano // RBK. 17 June 2022. URL: <https://www.rbc.ru/politics/17/06/2022/62acb34b9a7947d9e6ff3035>

3 Meeting with Sergey Kulikov, head of Rusnano. 15 June 2022. URL: <http://kremlin.ru/events/president/news/68656>

4 *Chernyshova E., Kanaev P.* Authorities have begun discussing possible liquidation of Rusnano // RBK. 19 October 2022. URL: <https://www.rbc.ru/business/19/10/2022/634f559d9a79475b384c7d51>

5 *Dobrunov M.* Rusnano named an alternative to liquidation of the company // RBK. 20 October 2022. URL: <https://www.rbc.ru/business/20/10/2022/6350f2c59a79475ba2ab963f>

6 Rusnano sold out 70% of its historical assets in two years // TASS. 25 October 2022. URL: <https://tass.ru/ekonomika/16153479>

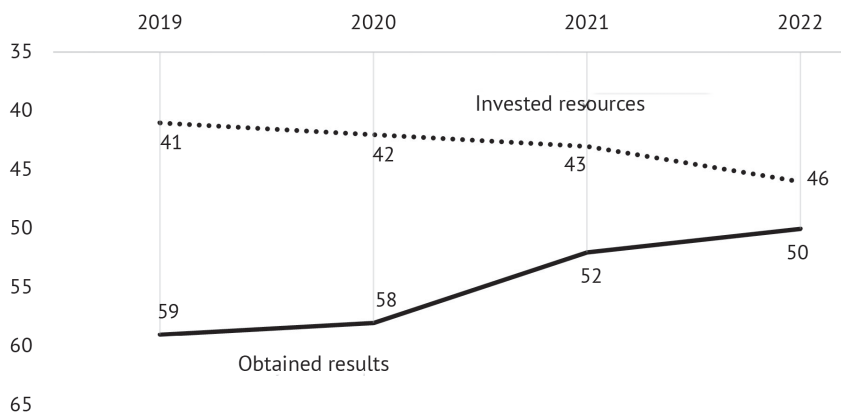


Fig. 1. Russia: indicators of invested resources and obtained results, the Global Innovation Index

Sources: Global Innovation Index, 2019; 2020; 2021; 2022.

At present, proprietary technologies on which production is based are created mostly by medium-sized technological companies-gasels,¹ often based on consortiums with organizations-developers (including universities and scientific institutes). According to the latest data about 2000 organizations² belong to the fast-growing innovation-active companies in the high-tech sphere. This is about half of the fast-growing high-tech companies and 7% of all fast-growing companies in the country with more than 10 employees. Examples of successfully implemented projects include creation of equipment for mobile communication networks, mobile energy sources based on metal-ion storage devices and hydrogen fuel cells; proprietary design systems; development of some groups of modern pharmaceuticals. Since beginning of the pandemic state support measures for such companies has been discussed and a number of resolutions have been passed but not all of them have come into force³. Special conditions were created only for companies in the ICT sector. They are exempt from profit tax for three years, inspections are cancelled for the same period and they can get loans at a rate of no more than 3%. For them procedures for employing foreigners and obtaining a residence permit are simplified⁴.

1 These are fast-growing companies with annual revenue growth of at least 20% for three years.

2 *Rozmirovich S.* Gazelles of Good Hope // Expert. 16 May 2022. URL: <https://expert.ru/2022/05/16/gazeli-dobroy-nadezhdy/>

3 Thus, RF Government Decree of 17.03.2022 № 392 «On approval of rules for granting subsidies from the federal budget to an autonomous non-profit organization» Engineering and Innovation Support Center «in order to create tools for finalizing products of technological companies to requirements of major corporations,» which determines allocation of funds to medium technology companies to finalize their products for guaranteed demand from major corporations, has not yet entered into force. URL: <https://www.garant.ru/products/ipo/prime/doc/403617556/>

4 Support measures for IT companies // ConsultantPlus. URL: http://www.consultant.ru/document/cons_doc_LAW_411198/d47d63c1bd09b4f09b07d6278860e9673ca0f14f/

It should be noted that medium-sized companies developing their own technologies often contradicts the experience and interests of large and state businesses and in some cases even relevant agencies which focus on the critical problems of import substitution. In such a situation acceleration of own promising developments requires introduction of a management scheme which should operate in parallel with existing system of civil industry regulation¹.

Some optimism about the possibility of a technological leap is inspired by dynamics of Russia's position in the Global Innovation Index in terms of growing indicators of innovation performance, even with deteriorating indicators of invested resources (*Fig. 1*).

5.3.8. Conclusions

Sanctions have had a significant negative impact on sphere of science. They aimed to isolate Russian organizations while by 2022 Russian science was already deeply embedded in international cooperation. Russian organizations and researchers were actively working on mega-science installations; a number of programs were aimed at attracting leading foreign scientists to the country; system of evaluation and promotion of researchers and organizations was based on the use of international databases of scientific publications Web of Science and Scopus. Outflow of personnel from science created additional problems despite the fact that the flow of those who left was diverse and included not only demanded specialists. Nevertheless, it is hardly possible to quickly replace them with young scientists without losing time and quality of work. Therefore, all previous guidelines and models had to be reconsidered.

A new ideology was developed in the area of a national system for assessing the performance of scientific activities and with regard to international relations with refocusing on countries that have not imposed sanctions. Where possible participation in research at megascience sites was continued.

An important policy direction has become reorientation on supporting applied research in the interests of economic development and technological sovereignty but there are a number of complex problems here. First: for the sake of technological leap, it is important to radically increase investment which is not included in the budget for R&D over the next three years. Second: the country has few domestic production facilities needed to create new technologies and in science the lack of domestic instruments to carry out modern research is a separate problem. Federal project to develop scientific instrumentation, although it was initiated, was on the scale of a pilot project. Creation of domestic instrumentation requires not only more significant funds but also a long period of time.

Global experience including that of countries under sanctions shows that rapid development of technology is only possible with involvement of international expertise access to which is obtained indirectly through personal connections as well as interaction with scientific diaspora. Russia has yet to establish such links,

¹ *Dezhina I.G., Ponomarev A.K. Approaches to ensuring technological independence of Russia // Science Management: Theory and Practice. 2022. V. 4. No. 3. P. 53–68. DOI: 10.19181/smt.2022.4.3.5. EDN: DGCVVI*

which is not easy in the atmosphere of sanctions imposed on the Russian science and technology sector.

5.4. Russia in international institutes¹

In 2022, the process of gradual destruction of multilateralization gave way to an acute crisis. Multiple challenges, including a continued spread of new strains of coronavirus, disruptions in supply chains, appreciation of prices for food and energy, rising inflation, slowdown of economic growth rates, increased inequality and lagging behind in achieving sustainable development goals and targets of the Paris climate agreement required collective actions. However, after the recognition of the Donetsk People's Republic and the Lugansk People's Republic and the beginning of the special military operation (SMO) the USA and its allies took unprecedented efforts to isolate Russia in the system of multilateral institutes. The pressure put by G7 and their partners has led to an increased mistrust and tensions in the relations between the westerns countries and developing countries, as well as the risk of key international institutes' loss of functionality.

5.4.1. The G20: a critical period

The G20 presidency of Indonesia in 2022 started the chain of emerging market countries' presidencies, that is, India, Brazil and South Africa² in 2023, 2024 and 2025, respectively. This has become an important factor of a change in the balance of power in the context of the G7's mounting pressure on the G20 decision-making processes; this factor was already explicit as far back as 2021. Indonesia always sought to represent in the G20 the interests of the developing countries, particularly South Asian nations. The presidency agenda was based on the goal to develop the G20's collective decisions on the most topical global issues with the developing countries' priorities and national development goals taken into account. The three sectorial priorities included the strengthening of the global architecture of healthcare and its capacity to respond to crises; facilitation of an inclusive digital transformation as a source of economic growth; a switchover to low-carbon energy systems and achievement of energy security and "green" and sustainable future.

Geopolitical contradictions between the NATO and Russia became a challenge to the G20. The USA and its allies put an unprecedented pressure on the presidency demanding the exclusion of Russia from the work and threatening to boycott the meetings and approval of documents. The BRICS countries, as well as Indonesia, Mexico, Argentina, Saudi Arabia, Turkey and South Korea were against the exclusion of Russia.³ Indonesia put a lot of effort and resources in the

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2 *R. Duttagupta and C. Pazarbasioglu*. Miles to Go. URL: <https://www.imf.org/external/pubs/ft/fandd/2021/06/the-future-of-emerging-markets-duttagupta-and-pazarbasioglu.htm>

3 G20 members' views on Russia diverge, making expulsion unlikely. URL: <https://ihsmarkit.com/research-analysis/g20-members-views-on-russia-diverge-making-expulsion-unlikely.html>

preparation of the presidency and was determined to achieve success in terms of preservation of the G20's unity and credibility with developing countries. During its presidency, Indonesia sought by all means to preserve the G20 as the main economic cooperation forum and catalyst for global economic recovery.¹ The main factors which defined Indonesia's actions were the following: its relations with Russia as a key trade partner and a source of investments,² historical perception of Russia as an ally,³ public judgement of the US policy as hypocritical,⁴ concern over the risks of appreciation of prices for energy commodities and food and responsibility for regional stability and security,⁵ as well as the role of Ukraine as a major exporter of wheat to Indonesia.⁶ Indonesia took intense diplomatic efforts at all levels seeking to adjust the agenda and procedures in order to facilitate the G20 to overcome economic implications of the conflict and embark on the trajectory of sustainable and inclusive growth.

Based on the results of the April G20 summit of finance ministers and central bank governors, Shri Mulyani, Indonesian Finance Minister noted that a demonstrative exit of some delegations from the hall during the speech of Russian participants did not disrupt the discussion and search for solutions and a consensus on substantive matters.⁷ The following official position was declared: "The Presidency is obligated to invite all G20 members to all meetings in order to facilitate effective discussions and search for solutions."⁸

The pressure put by the USA and the G7 countries did not ease throughout the entire presidency, nor did Indonesia's diplomatic efforts. Joko Widodo, President of Indonesia took part in the expanded format of the G7 summit and the "BRICS plus" summit, held numerous bilateral meetings with heads of states and international organizations, visited Kiev and Moscow where he personally extended the invitation to the summit to Vladimir Zelensky, President of Ukraine and Vladimir Putin, President of the Russian Federation. Retno Marsudi, Indonesian Foreign Minister and G20 Sherpa worked with all G20 members in multilateral and bilateral formats in a search for compromises and a common platform

- 1 Minister Retno Marsudi Discusses Preparations for G20 Summit at Global Governance Group Forum. URL: <https://kemlu.go.id/portal/en/read/4004/berita/minister-retno-marsudi-discusses-preparations-for-g20-summit-at-global-governance-group-forum>
- 2 Indonesia-Russia Committed to Remove Trade Barriers Between Two Countries. URL: <https://kemlu.go.id/portal/en/read/2218/berita/indonesia-russia-committed-to-remove-trade-barriers-between-two-countries>
- 3 Indonesia: Looking Up to Russia, and Away from Europe. URL: <https://www.institutmontaigne.org/en/analysis/indonesia-looking-russia-and-away-europe>
- 4 Ukraine war highlights differences between Indonesian and US foreign policy frameworks. URL: <https://www.eastasiaforum.org/2022/08/05/ukraine-war-highlights-differences-between-indonesian-and-u-s-foreign-policy-frameworks/>
- 5 A.W. Mantong and G.Kembara. Indonesia's G20 Presidency and the War in Ukraine. URL: <https://www.iai.it/en/pubblcazioni/indonesias-g20-presidency-and-war-ukraine>
- 6 H.Manurung. Indonesia-Ukraine Bilateral Relations. URL: https://www.researchgate.net/publication/353738760_INDONESIA_-_UKRAINE_BILATERAL_RELATIONS
- 7 G20 Press Conference: the 2nd Finance Ministers and Central Bank Governors Meeting. URL: <https://www.youtube.com/watch?v=3CvsumWiX7Y>
- 8 Press release following the G20 Finance Ministers and Central Bank Governors April 4 meeting. URL: https://www.ranepa.ru/images/media/g20/2022indoneziya/Ministers_of_Finance_and_Governors_of_Central_Banks_of_G20_Countries_Work_Together_on_Solutions_on_the_Current_Global_Economic_Challenges.pdf

between the G7 and developing countries. The US and its partners demanded a condemnation of Russia, declaring that a rise in prices for food and resources, inflation and a slowdown of economic growth were the implications of “Russia’s war against Ukraine” and dismissed calls for a peaceful settlement and rejection of unilateral restrictive measures. As a result, none of 15 ministerial meetings held after the start of the SMO ended up with an approval of the final document. The differences and agreed decisions were reflected in the Chairman’s statement which first part highlighted the differences in opinions: some member-countries condemned Russia, while others expressed the opinion that the forum was not the place for discussion of geopolitical issues and still others called for the end of war and restoration of stability. The other part of the statement dealt with agreed decisions.¹

Russia sought to reduce the level of confrontation and form a positive agenda on substantive issues and a reasoned dialogue though it was often infeasible. For example, in response to the assessment of the effect of sanctions on global food security, sanctioning countries consistently stated that these measures were not aimed at agricultural products and fertilizers, ignoring the impact of financial sanctions, insurance limitations and an economic uncertainty around exports from Russia, the fact that appreciation of prices for energy commodities and fertilizers transformed into increased costs of production and a rise in future prices for food,² as well as the UN’s warning that “an effective resolution of the food crisis was infeasible without reintegration of Ukraine’s food products, as well as Russia’s food products and fertilizers into global markets.”³ The differences prevented from negotiating decisions for the sake of market stabilization.

The G7 moves often ran counter to the G20 decisions and presidency’s priorities. For example, in connection with the G7 decision to ban all services related with transportation of Russian oil and petrochemicals in case of an excess of the price cap⁴ which was not established at that time many G20 members opposed unilateral restrictive measures at the meeting of G20 energy ministers.⁵ However, despite the G20 statement that energy should never be used as an instrument of political pressure and the assessment of a prospective global production decline of 0.8% by 2023 owing to price rises caused by the ban on hydrocarbons from Russia⁶ the G7 finance ministers declared on the same day their intent to complete

1 For example, see: G20 Chair’s Summary: Trade, Investment and Industry Ministers Meeting. URL: <http://www.g20.utoronto.ca/2022/220923-trade-investment-industry.html>

2 The impacts and policy implications of Russia’s aggression against Ukraine on agricultural markets. URL: <https://www.oecd.org/ukraine-hub/policy-responses/the-impacts-and-policy-implications-of-russia-s-aggression-against-ukraine-on-agricultural-markets-0030a4cd/#figure-d1e267>

3 Also, they ignored the fact that the FAO food price index reached the record-high level in February 2022 before the start of the SMO and fell somewhat in April and May 2022. See: Global impact of the war in Ukraine: Billions of people face the greatest cost-of-living crisis in a generation. URL: https://news.un.org/pages/wp-content/uploads/2022/06/GCRG_2nd-Brief_Jun8_2022_FINAL.pdf

4 G7 Leaders’ Communiqué, Elmau, 28 June 2022. URL: http://www.g7.utoronto.ca/summit/2022elmau/FINAL_20220628_G7%20Statement%20Elmau%202022.pdf

5 Chair’s Summary: Energy Transitions Ministers Meeting 2022. URL: <http://www.g20.utoronto.ca/2022/220902-energy-chair-summary.html>

6 Stagflation Risk Rises Amid Sharp Slowdown in Growth. URL: <https://www.worldbank.org/en/publication/global-economic-prospects>

preparations and implement a comprehensive ban on maritime transportation of Russian oil and petrochemicals in case of the price cap being surpassed.¹

Amid the sanctions build-up and increased confrontation, the approval of the declaration on the results of the leaders' summit² became the presidency's achievement and demonstration of developing countries' capacity to consolidate positions. The declaration fixes the differences in the assessments of the situation in Ukraine and sanctions, the supremacy of the international law, the need of a peaceful settlement of conflicts and the inadmissibility of use of nuclear weapons. At the same time, the G20 reaffirmed "the joint responsibility and need of cooperation in order to facilitate global economic recovery".³ It is noteworthy that 223 responsibilities were formulated with over a half of them aimed at preventing crisis phenomena impeding the achievement of the 2030 agenda and acceleration of the implementation of SDGs.

The key decisions concerned facilitation of food and energy security and building up of the potential to fight pandemics on the national, regional and global levels. The G20 countries committed themselves to take urgent actions to prevent famine and food and fertilizer shortages, enhance market predictability and speed up a switchover to sustainable agricultural and food systems and delivery chains. The G20 leaders reaffirmed their commitment to achieve SDG 7 (one of 17 goals in the field of sustainable development) to facilitate an access to energy, particularly by means of diversification of energy balances, transfer to low-emission energy systems, achievement of stability, transparency and accessibility of energy markets and acceleration of energy transition. The declaration introduced a system of measures aimed at achieving the Paris agreement and limiting the temperature rise to 1.5°C, including a new obligation on climate finance in the volume of at least \$100 bn annually to support developing countries. Leaders committed themselves to build up the developing countries' potential to fight pandemics via facilitation of a timely and comprehensive access to safe, inexpensive, high-quality and effective vaccines, therapeutics and diagnostics, deployment of local production and elimination of critical funding gaps by means of the World Bank's Pandemic Fund.

The G20 countries reaffirmed their commitment to promote cooperation in the field of the macroeconomic policy, ensure financial and long-term fiscal stability and protection from downside risks and adverse effects on developing countries as a result of the tightening of the monetary policy. The G20 reiterated the commitment to the quota review, the IMF governance reform, cooperation in the development of a comprehensive international approach to the regulatory activity in respect of crypto assets and upgrading of transborder payments. The leaders endorsed the speedy implementation of the decision by the G20 and the OECD on redistribution of 20%-30% of TNC's profit in excess of the established limit in

1 G7 Finance Ministers' Statement on the United Response to Russia's War of Aggression against Ukraine. URL: <http://www.g7.utoronto.ca/finance/220902-ukraine.html>

2 Russia was represented at the summit by Sergei Lavrov, RF Foreign Minister and Anton Siluanov, RF Finance Minister.

3 The Bali Declaration of the G20 leaders. URL: <http://kremlin.ru/events/president/news/69844>

favor of jurisdictions on which markets TNC carried out their operations and the introduction of the minimum global tax of 15% on TNC and emphasized the need of the WTO reform, including the reform of the dispute settlement mechanism.

Indeed, the gap between the level of the declared decisions rhetoric and real actions remains considerable. However, the G20 has retained its role as a leading forum of international cooperation. Amid unfriendly countries' efforts to isolate Russia, the G20 has become an important mechanism of networking with partners and participating in the collective decision-making process.

5.4.2. The BRICS: consolidation of the partnership

Amid large-scale sanctions and pressure to isolate Russia, the BRICS have become a substantial pillar of Russia. The solidarity of the BRICS partners did not mean the approval of the SMO, but reflected the understanding of the causes of Russia's actions¹ and possible consequences of the confrontation with the NATO in Ukraine,² concern over the NATO's intension to globalize its zone of responsibility and weariness of double standards of "the international order based on the US rules."³ The BRICS have consistently stood for a peaceful settlement of the crisis. Though China alone opposed openly sanctions against Russia,⁴ the freezing of the two-thirds out of \$630 bn worth of the Central Bank of Russia's reserves⁵ and \$30 bn of individuals' funds⁶, the disconnection of Russian banks from the SWIFT⁷ and other financial restrictions highlighted explicitly to all BRICS member countries the risks associated with a lack of progress in reforming the international currency and financial system, which reform the BRICS had consistently stood for since the 2008 financial and economic crisis, and the need to speed up the implementation of the BRICS's decisions on the use of national currencies in mutual settlements and cooperation in the field of payment systems.⁸

Peace and security, the reform of the global governance system, economic recovery and promotion of the BRICS cooperation became the key lines in the BRICS work within the frameworks of China's chairmanship. Over 160 events in a hybrid and virtual formats were held. Based on the results of the 14th BRICS summit under the motto "Forging High-Quality Partnership for a New Era of Global Development", 60 concrete decisions were approved. The BRICS member-

1 *Abelow B.* (2022) How the West Brought War to Ukraine: Understanding How U.S. and NATO Policies Led to Crisis, War, and the Risk of Nuclear Catastrophe. Siland Press.

2 *Mearshheimer J.J.* Playing with Fire in Ukraine. The Underappreciated Risks of Catastrophic Escalation. URL: <https://www.foreignaffairs.com/ukraine/playing-fire-ukraine>

3 *Robinson N.J., Chomsky N.* If We Want Humanity to Survive, We Must Cooperate with China. URL: <https://chomsky.info/20220815/>

4 Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on February 23, 2022. URL: https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202202/t20220223_10644886.html

5 Reserves freeze sends shivers through Moscow. URL: <https://www.omfif.org/2022/03/reserves-freeze-sends-shivers-through-moscow/>

6 A US-backed global task force says it has frozen more than \$330 billion of assets from Russian oligarchs and the country's central bank in 100 days. URL: <https://www.businessinsider.com/repo-global-task-force-freeze-330-billion-russia-oligarch-assets-2022-6>

7 An update to our message for the Swift Community. URL: <https://www.swift.com/ru/node/308383>

8 The BRICS economic partnership strategy till 2025. URL: <https://brics-russia2020.ru/images/114/81/1148133.pdf>

countries stated their commitment to the peaceful settlement of differences and support of negotiations between Russia and Ukraine, declared about the need to preserve the integrity of the G20 and promote the engagement of developing and emerging market countries in international decision-making on economic issues, particularly within the frameworks of international financial institutions (IFI) and called on the leading developed countries to carry out a responsible economic policy to avoid negative consequences for developing countries, risks of economic disintegration and fragmentation of the international monetary and financial system. The BRICS leaders endorsed the idea of raising the flexibility of the reserve currency pool mechanism, promoting information security cooperation in the financial and payment sectors, as well as expanding the New Bank for Development (NBD).

The BRICS reaffirmed their commitment to implement the agenda in the field of sustainable development in the period till 2030 and called for the implementation of the Paris agreement on the basis of the principle of the common but differentiated responsibility, including developed countries' meeting of their obligations to support developing countries' efforts to eliminate climate change implications through funding and technology transfer. The BRICS stood against "green" trade barriers (such as the EU transborder carbon tax), underlying that all measures to fight climate change should be in compliance with the WTO agreements and by no means an instrument of discrimination or disguised restriction on international trade.

Sustainable development was increasingly on the top of the BRICS agenda. The consolidation of multilateralism and partnership for development, as well as the implementation of Chinese President Xi Jinping's initiative on global development were in the focus of the "BRICS plus" summit attended by leaders of 18 countries. Apart from the main five BRICS member-countries, participants in the dialogue were Algeria, Argentina, Egypt, Indonesia, Iran, Kazakhstan, Cambodia, Malaysia, Senegal, Thailand, Uzbekistan, Fiji and Ethiopia.

The positive agenda, work on a consensus basis, support of the reform of international institutes in the interests of developing countries and own initiatives aimed at solving global issues determine the BRICS's attractiveness as a new center of influence. The desire to join the BRICS was expressed by Argentina, Iran, Saudi Arabia and Algeria.¹ The expansion of the BRICS meets Russia's interests. New members, particularly Argentina and Saudi Arabia which are both members of the G20, may strengthen a negotiating position in other international institutes to counter the influence of the G7 which puts considerable pressure on decision-making in multilateral institutes. The expansion of the BRICS may facilitate the achievement of their goals, particularly the de-dollarization of the international trade and reforming of the international monetary and financial sectors. Undoubtedly, expansion involves considerable risks. On one hand, with two influential Middle East players joining the BRICS, its prestige will grow, while, on the other hand, the differences between Iran and Saudi Arabia may complicate collective decision-making, particularly on

¹ The prospects of joining by Indonesia, Turkey, Nigeria, Egypt and a few other countries were discussed.

regional security issues. The BRICS has amassed positive experience in mediating problems between member-countries, for example, de-escalation of territorial conflicts between China and India. Russia has always played an important role in the negotiating process. Though there may be some difficulties in securing the unity and promoting institutional development, the association will gain through its expansion a serious political weight which is needed for the formation of a multipolar world order which Russia and its BRICS partners stand for.

5.4.3. The International Monetary Fund: politization of relations and limitation of access to resources

In 2022, Russia retained the status of a full member of the Bretton Woods Institutions – the International Monetary Fund (IMF) and the World Bank – and kept fulfilling its financial obligations to the IMF for implementation by the latter of its goals.

The IMF's lending resources are formed primarily by means of member states' quotas. In 2022, Russia's quota remained unchanged since 2016 at the level of 12.9037 bn units of special drawing rights (SDR) (as of the beginning of December 2022: 1 SDR was equal to about \$1.3).¹ Also, Russia's obligations were in effect within the IMF's "second and third lines of defense" – new agreements on borrowings under which Russia's potential liabilities amounted to 8.88 bn SDRs in the period till the end of 2025 and bilateral agreements on borrowings with SDRs being in the equivalent of \$3.9 bn² (obligations are in effect till the end of 2023 and can be extended for another year). According to the data as of the end of November 2022, the IMF's borrowings from Russia were equal to a very small portion of the potential volume.³ Russia's participation in the formation of the IMF's lending resources along with the IMF's other member states makes it feasible to maintain the IMF's funding potential at the level of about \$1 trillion.

Apart from financial relations, Russia used to hold consultations on a regular basis with the IMF on various aspects of the economy and its development. After the start of the SMO, Russia's contacts with the IMF were suspended in this field. Though in February 2021 the IMF and the World Bank started another Financial Sector Assessment Program for Russia (FSAP) – this program is carried out every five years to review systemic financial risks, regulatory policy institutes in the banking and the securities market sectors and crisis management mechanisms – no reports on the outputs of this program were presented.⁴ No annual consultations with the IMF mission under Article IV of the IMF's Charter were held, either.

Global economic risks related with the consequences of the COVID-19 pandemic and the Ukrainian crisis were in the IMF's focus in 2022. In particular,

1 The Russian Federation: Financial Position in the Fund as of November 30, 2022. URL: <https://www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=819&date1key=2099-12-31>

2 The Russian Federation: Lending to the Fund. URL: <https://www.imf.org/external/np/fin/tad/extlend1.aspx?memberKey1=819&date1key=2022-11-30>

3 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>

4 The information on participation of the Central Bank of Russia in the Financial Sector Assessment Program (FSAP) of the IMF and the World Bank in 2021. URL: http://www.cbr.ru/press/pr/?file=24022021_191749pr.htm

in March 2022 the IMF approved an emergency funding for Ukraine in the sum of \$1.4 bn.¹ In April 2022, at the request of several IMF member states a special account was established to ensure a safe facility for providing donors' financial aid to Ukraine.² As of the end of November 2022, about \$2.2 bn were credited to this account by Germany and Belgium. The Netherlands and Canada are expected to take part in it, too.³ On September 30, 2022, the IMF started a new temporary Food Shock Window within the scope of emergency funding instruments, that is, the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). The new window is meant to assist countries which encountered problems with the balance of payments owing to food shortages, dramatic appreciation of prices for imported food or decreased export earnings. Such countries can receive funds in the amount of up to 50% of their quota in the IMF in addition to the existing limits set on RCF and RFI in the period till September 29, 2023.⁴ Ukraine was the IMF's first member country which took advantage of this instrument; the relevant funding in the volume of \$1.3 bn was approved in October 2022.⁵

Amid active support of Ukraine, western countries took efforts to politicize the relations between the IMF and Russia. According to the Russian official statements, the IMF started to pay less attention to challenges "in the global development, financial sustainability of different countries, growing food and energy crises, as well as disruptions in traditional supply chains and sales markets."⁶ Further, some European countries proposed to exclude Russia from the IMF⁷ and the US Treasury issued instructions to the US representatives in the IMF to oppose the provision of a financial aid to Russia and Belarus, except for cases where the civilian populations' essential needs were to be met and this move was eventually formalized in a special law (it is noteworthy that after 1999 Russia has never borrowed from the IMF, however, in 2021 it received 12.3 bn SDRs (about \$17.5 bn) within the scope of special distribution to facilitate economic recovery amid the COVID-19 pandemic)⁸. Russia's use of the IMF resources turned out to be

1 IMF Executive Board Approves US\$ 1.4 Billion in Emergency Financing Support to Ukraine. URL: <https://www.imf.org/en/News/Articles/2022/03/09/pr2269-ukraine-imf-executive-board-approves-usd-billion-in-emergency-financing-support-to-ukraine>

2 IMF Executive Board Approves the Establishment of a Multi-Donor Administered Account for Ukraine. URL: <https://www.imf.org/en/News/Articles/2022/04/08/pr22111-imf-executive-board-approves-establishment-of-a-multi-donor-administered-account-for-ukraine>

3 Frequently-Asked Questions on Ukraine. URL: [https://www.imf.org/en/About/FAQ/ukraine%20Why%20did%20Ukraine%20cancel%20its%20existing%20program,%20with%20\\$2.2%20billion%20left%20to%20be%20disbursed?](https://www.imf.org/en/About/FAQ/ukraine%20Why%20did%20Ukraine%20cancel%20its%20existing%20program,%20with%20$2.2%20billion%20left%20to%20be%20disbursed?)

4 IMF Executive Board Approves a new Food Shock Window and an Enhanced Staff-Monitored Program with Board Involvement. URL: <https://www.imf.org/en/News/Articles/2022/10/05/pr22335-imf-approves-a-new-food-shock-window-and-an-enhanced-staff-monitored-program>

5 IMF Executive Board Approves US\$ 1.3 Billion in Emergency Financing Support to Ukraine. URL: <https://www.imf.org/en/News/Articles/2022/10/07/pr22343-imf-approves-emergency-financing-support-to-ukraine>

6 The briefing of Maria Zakharova, Russian Foreign Ministry official spokesman, Moscow, April 28, 2022. URL: https://mid.ru/ru/foreign_policy/news/1811231/#11

7 The Lithuanian Finance Minister proposed to discuss a suspension of Russia's membership with the IMF at the EU level. URL: <https://tass.ru/ekonomika/14282785>

8 Joe Biden banned the US Treasury from exchanging special drawing rights with Russia. URL: <https://rg.ru/2022/10/05/bajden-zapretit-minfinu-ssha-obmenivatsia-specialnymi-pravami-zaimstvovaniia-s-rossiej.html>

limited: as SDRs are not regarded as a physical asset, they need to be converted in order to be used for purposes different from transactions with the IMF, while with taking into account restrictions imposed against the Russian economy this process became rather complicated.

Overall, the cooperation between Russia and the IMF has shrunk considerably since 2014 and became increasingly limited in 2022. Though Russia fulfilled consistently its obligations defined by the status of the IMF' creditor country, it had actually no option of using its resources in case of need. Further, the IMF capital and governance reforms, which were in the interests of Russia, including an increase in the share of quotas and voices of emerging market and developing countries and revision of the quota calculation formula within the scope of the 16th overall quota revision remained unrealized as before. The implementation of relevant decisions cannot be expected until 2023.

5.4.4. The World Bank Group: the expansion of the moratorium on cooperation with Russia

The cooperation between Russia and the World Bank Group (WBG) has been mainly limited to research and expert analytical work in the field of macroeconomic prediction and financial regulation upgrading¹ since 2014. However, on March 2, 2022 amid the beginning of the SMO the WBG suspended all its operations with Russia.²

Prior to the March decision, the moratorium introduced by the International Bank for Reconstruction and Development (IBRD) in 2014 on new projects in Russia was already in effect. As of the beginning of December 2022, two IBRD projects in Russia approved before the moratorium was imposed had an "active" status. Within the scope of the project (\$60 mn) on upgrading the hydro-meteorological service, the World Bank transferred about \$1.2 mn in May 2022 (the transfer of funds after the suspension of work in Russia can be explained by a time lag between the approval of the decision and its execution). At the same time, Russia repaid its obligation on this loan in the sum of about \$3 mn in October.³ With no update of the information on the IBRD website on the other active project related with promotion of the young generation human capital in the North Caucasus regions since 2016, it means that the project was actually suspended, too.⁴ Also, other WBG institutes preserved financial restrictions on cooperation with Russia that were in effect as far back as 2014.

The cooperation between Russia and the WBG in the field of expert analytical work came to a halt. It primarily concerns the suspension of the joint IMF-WBG Financial Sector Assessment Program in Russia and release of regular reports on the Russian economy (in 2021 they presented two reports with the findings and guidelines for upgrading the social and economic situation in the country).

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

2 World Bank Group Statement on Russia and Belarus. URL: <https://www.worldbank.org/en/news/statement/2022/03/02/world-bank-group-statement-on-russia-and-belarus>

3 RUSSIA HYDROMETEOROLOGICAL SERVICES MODERNIZATION. URL: <https://projects.worldbank.org/en/projects-operations/project-detail/P127676>

4 Promoting Youth Inclusion in the North Caucasus. URL: <https://projects.worldbank.org/en/projects-operations/project-detail/P132660>

Along with the IMF, as far back as March 2022 the World Bank declared about the need of a large-scale emergency support of the Ukrainian economy.¹ So, they promptly allocated \$350 mn to reduce the budget deficit and by the end of November 2022 the overall volume of mobilized funds to support Ukraine amounted to over \$17.8 bn. Over two-thirds of this amount were contributed by the US (\$11.4 bn).² Specifically, the decision on the aid package for Ukraine was presented with a political tinge and invariably justified by “hostile actions against the Ukrainian people.”³ The overall volume of funds for recovery of the Ukrainian economy was estimated at \$349 bn in September 2022.⁴

In summary, limitations which existed in the relations between Russia and the WBG for the past eight years increased considerably in 2022; in addition to the suspension of financial cooperation this led to a halt to the ongoing expert analytical work. The issue of the WBG charter capital and governance reforms in the interests of emerging market and developing countries remained unsolved.

5.4.5. Multilateral development banks: building up sustainable financing and suspension of projects in Russia

In 2022, the activities of key multilateral development banks (MDB), including those which Russia is a member of, for example, the European Bank for Reconstruction and Development (EBRD), the New Development Bank (NDB) and the Asia Infrastructure Development Bank (AIDB) were characterized by increased attention to a climate change effect on the implementation of sustainable development goals. In November 2022, ten large MDBs issued a joint statement that target levels of the international climate financing which planned to be achieved only by 2025 were surpassed as far back as 2021. With taking into account the relevance of climate change challenges, MDBs approved further collective measures, including the development of the steps in implementation of the Paris agreement, facilitation of a socially just transition to low-carbon development, an increase in funding the adaptation measures and scaling-up of concessional financing and mobilization of private investments.⁵

In order to enhance MDBs’ capacity in solving their goals, the international community’s priority consists in upgrading the efficiency of utilization of MDBs’ financial resources. A report on the independent review of approaches to the evaluation of MDBs’ capital sufficiency was initiated during Italy’s G20 presidency and presented during Indonesia’s presidency. A more effective utilization of capital

1 Joint IMF-World Bank Group Statement on the War in Ukraine. URL: <https://www.worldbank.org/en/news/statement/2022/03/01/joint-imf-wbg-statement-on-the-war-in-ukraine>

2 World Bank Financing Support Mobilization to Ukraine since 24 February 2022. URL: <https://www.worldbank.org/en/country/ukraine/brief/world-bank-emergency-financing-package-for-ukraine>

3 World Bank Mobilizes Additional \$530 Million in Support to Ukraine. URL: <https://www.worldbank.org/en/news/press-release/2022/09/30/world-bank-mobilizes-additional-530-million-in-support-to-ukraine>

4 Ukraine Recovery and Reconstruction Needs Estimated \$349 Billion. URL: <https://www.worldbank.org/en/news/press-release/2022/09/09/ukraine-recovery-and-reconstruction-needs-estimated-349-billion>

5 COP27 MULTILATERAL DEVELOPMENT BANKS JOINT STATEMENT. URL: https://www.ndb.int/press_release/cop27-multilateral-development-banks-joint-statement/

is proposed to be achieved by means of a proper risk management, increased utilization of financial innovations, further dialogue with credit rating agencies, promotion of transparency and disclosure of the information.¹ A report on MDBs' implementation of these guidelines is expected to be prepared in 2023.²

It is noteworthy that the NDB and the AIDB worked within the context of the specified trends of a special attention to the issues of motivation of sustainable development and scaling-up of financial resources. The NDB's portfolio includes over 90 projects worth over \$30 bn.³ Also, the NDB completed the program of issuing 20 bn yuan worth of bonds⁴. According to the Bank's overall strategy of development in 2022–2026 – “The Scaling-Up of Financing for Development for the Sake of Sustainable Future” – \$30 bn worth of funds will be allocated in this period, cooperation with other MDBs will be actively promoted and projects related with elimination of climate change implications and adaptation will account for 40% of the new portfolio.⁵ In 2022, the AIDB approved 35 new projects, most of which are co-financed with other MDBs or private investors, and the bank's overall portfolio was equal to over \$37 bn.⁶ The AIDB is expected to allocate up to \$50 bn on projects to fight climate change until 2030.⁷

Technical limitations and risks associated with financial operations with Russia led to a suspension of project activities of the NDB⁸ and the AIDB⁹ in Russia. With no new projects in Russia approved since 2014, the EBRD made a decision to suspend Russia's access to funding and closed its office in Moscow in April 2022. However, as in other MDBs, which Russia is a member of, its status of a shareholder was preserved.¹⁰ At the same time, the EBRD plans to allocate \$3 bn to Ukraine until the end of 2023¹¹ and raised around \$1.4 bn from donor countries (the US, Canada, Western European countries, Japan the Republic of Korea and Taiwan).¹²

1 Publication of the report of the Independent Review of MDBs' Capital Adequacy Frameworks: Boosting MDBs' investing capacity. URL: <https://www.southbgroup.com/publication-of-the-report-of-the-independent-review-of-mdb-capital-adequacy-frameworks-boosting-mdb-investing-capacity/>

2 G20 BALI LEADERS' DECLARATION. URL: <http://static.kremlin.ru/media/events/files/en/u82esHnvQFdHOjv25AJg73rnLGEe8cK6.pdf>

3 NDB Investor Presentation. URL: <https://www.ndb.int/wp-content/uploads/2022/11/Investor-Presentation-2022Nov.pdf>

4 New Development Bank Issued Cny 3 Billion Bond in The China Interbank Bond Market And Completed its Second Rmb Bond Programme. URL: https://www.ndb.int/press_release/new-development-bank-issued-cny-3-billion-bond-in-the-china-interbank-bond-market-and-completed-its-second-rmb-bond-programme/

5 NDB Board of Governors Approved The Bank's General Strategy for 2022–2026. URL: https://www.ndb.int/press_release/ndb-board-of-governors-approved-the-banks-general-strategy-for-2022-2026/

6 Project Summary. URL: <https://www.aiib.org/en/projects/summary/index.html>

7 Green Infrastructure. URL: <https://www.aiib.org/en/about-aiib/who-we-are/infrastructure-for-tomorrow/green-infrastructure/index.html>

8 A Statement by The New Development Bank. URL: https://www.ndb.int/press_release/astatement-by-the-new-development-bank/

9 AIIB Statement on war in Ukraine. URL: <https://www.aiib.org/en/news-events/news/2022/AIIBStatement-on-war-in-Ukraine.html>

10 The EBRD in Russia. URL: <https://www.ebrd.com/russia.html>

11 EBRD commits up to €3 billion to Ukraine. URL: <https://www.ebrd.com/news/2022/ebrd-commits-up-to-3-billion-to-ukraine.html>

12 The EBRD and the war on Ukraine. URL: <https://www.ebrd.com/what-we-do/war-on-ukraine>

5.4.6. The United Nations: amid the growing confrontation

In 2022, a key issue on the agenda of the main UN bodies was the escalation of the conflict between Russia and Ukraine. The circumstances related to the armed confrontation were actively debated at the UN Security Council (SC) and the General Assembly (GA).

Russia's status as a permanent member of the UN Security Council and its veto power prevented the adoption of resolutions which did not meet the Russian priorities. On February 25, 2022, Russia voted against the draft resolution submitted by Albania and the US, condemning "the aggression ... against Ukraine in violation of Article 4.2 of the UN Charter."¹ China as a permanent Security Council member abstained from voting. India and the United Arab Emirates took the same position. Two days later, the UN Security Council passed a resolution on the convening of a special extraordinary session of the UN General Assembly² and a large portion of debates shifted to the General Assembly venue. On September 30, 2022, Russia vetoed the UN Security Council resolution condemning the holding of the referendums in the Donetsk, Lugansk, Kherson and Zaporozhye Regions and "the annexation of Ukraine's territories."³

Russia's initiatives at the UN Security Council were vetoed by western countries, permanent UN SC members. So, on November 2, 2022 the Russia-drafted resolution on a special commission's investigation into activities of US biolabs in Ukraine was voted against by France, the UK and the US.⁴

In March, the UN General Assembly adopted two resolutions condemning Russia's actions during the SMO in the territory of Ukraine (March 2, 2022)⁵ and demanding an immediate cessation of hostilities.⁶ Both the resolutions were passed by a majority of votes with China, Belarus, North Korea, Iran, Syria and Eritrea voting against these UN GA resolutions and 35 and 38 countries abstained from voting on the first and second resolutions, respectively. At the same time, the resolution initiated by South Africa, China and a number of other countries on cessation of hostilities *by all parties to the conflict* and protection of the civilian population and infrastructure was dismissed from discussion as a result of a procedural vote.⁷ In April 2022, the UN GA suspended Russia's work in the UN Human Rights Council.⁸

1 Russia imposed a veto on the UN Security Council resolution condemning its actions in Ukraine's territory. URL: <https://news.un.org/ru/story/2022/02/1418872>

2 Resolution 2623 (2022), Security Council Report. URL: https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_res_2623.pdf

3 UN Security Council: Russia vetoed a resolution condemning the annexation of the territories of Ukraine. URL: <https://news.un.org/ru/story/2022/09/1432952>

4 The UN Security Council did not adopt the Russian resolution on biolabs in Ukraine. URL: <https://www.rbc.ru/politics/03/11/2022/6362db1e9a7947f01b253128>

5 Aggression against Ukraine. URL: https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_res_es-11_1.pdf

6 Humanitarian consequences of the aggression against Ukraine. URL: https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_res_es-11_2.pdf

7 Humanitarian situation emanating out of the conflict in Ukraine. URL: https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_es-11_L3.pdf

8 The UN General Assembly suspended Russia's membership in the UN Human Rights Council // The UN News. URL: <https://news.un.org/ru/story/2022/04/1421492>

China supported Russia by voting against the resolution initiated by the G7 countries, Australia and South Korea. India, South Africa and Brazil abstained from voting.

On Liechtenstein's initiative, the UN General Assembly adopted a procedural amendment and received a permanent mandate on holding of debates in case of a use of veto in the UN Security Council. None of the BRICS member countries became a co-sponsor of the resolution. The decision was passed without voting.¹ Following the updated procedure, on October 12, 2022 after Russia's veto on the UN Security Council resolution condemning the referendums held in Ukraine's former territories the UN General Assembly adopted on the basis of open voting results the Albania-submitted draft resolution on the non-recognition of the referendums. From among the BRICS member countries, China, India and South Africa abstained from voting, while Brazil voted for the resolution². On November 14, 2022, the UN General Assembly adopted the resolution "Furtherance of Remedy and Repatriation for Aggression against Ukraine."³ The initiators of the voting were permanent UN representatives of Guatemala, Canada, the Netherlands and Ukraine⁴ with support of the G7 member states and Australia.⁵ As a result, the resolution was adopted with 94 votes for it⁶ with China voting against and Brazil, India and South Africa abstained.

UN Secretary-General Antonio Guterres played a major role as a mediator together with President Erdogan of Turkey in negotiating the Black Sea grain initiative defining the procedure for safe transportation of food through the Black Sea. Under the agreement signed on July 22, 2022 between the parties to the deal and the UN, the UN representative supervises directly the loading of grain in Ukraine's seaports and participates in the inspection of foreign ships bound for Ukraine in order to prevent arms deliveries.⁷ Also, the three-year memorandum of understanding on promoting Russian food products and fertilizers to the world markets signed by Andrei Belousov, Deputy Chairman of the RF Government and Antonio Guterres, UN Secretary-General was approved; the memorandum envisaged the UN's facilitation in removal of restrictions in the financial sector, insurance and logistics.⁸ After the

1 General Assembly official records, 76th session : 69th plenary meeting, Tuesday, 26 April 2022, New York. URL: <https://digitallibrary.un.org/record/3987582?ln=ru>

2 The UN GA passed an anti-Russian resolution on Ukraine // Main. URL: <https://iz.ru/1409448/2022-10-13/ga-oon-priniala-antirossiiskuiu-rezoliutciiu-po-ukraine-glavnoe>

3 Furtherance of remedy and reparation for aggression against Ukraine. URL: https://www.securitycouncilreport.org/atf/cf/%7B65BF9F9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_res_es_11_5.pdf

4 The letter of November 7, 2022 of permanent representatives of Guatemala, Canada, the Netherlands and Ukraine at the UN to the President of the General Assembly. URL: <https://undocs.org/Home/Mobile?FinalSymbol=A%2FES-11%2F10&Language=E&DeviceType=Desktop&LangRequested=False>

5 Furtherance of remedy and reparation for aggression against Ukraine. URL: <https://undocs.org/Home/Mobile?FinalSymbol=A%2FRES%2FES-11%2F5&Language=E&DeviceType=Desktop&LangRequested=False>

6 General Assembly: Eleventh Emergency Special Session, 15th Plenary Meeting. URL: <https://media.un.org/en/asset/k1k/k1kmh0hy0v>

7 The governments of Russia, Ukraine, Turkey and the UN signed an agreement on grain exports. URL: <https://tass.ru/ekonomika/15288405>

8 The Memorandum of Understanding between the Russian Federation and the UN Secretariate on promoting Russian food products and fertilizers to the world markets was signed. URL: <http://government.ru/news/46092/>

escalation of the situation in the Black Sea region late in October 2022 as a result of attacks by the Ukrainian military on Russian seaport facilities putting at risk the implementation of the July grain deal, the mediation of the UN and Turkey ensured the return of Russia to the reached agreements.¹

The UN General Assembly member states demonstrated a constructive approach to multilateral debates on international information security. On November 8, 2022, the UN General Assembly adopted the Russia-drafted resolution approving the results of the first year of operation of the Open-End Working Group on security issues in the field of ICT where Russia sought to ensure the formation of the international information security system based on universal legally binding agreements.² The UN General Assembly voting on the Russia-drafted resolution on combating glorification of Nazism ended with a positive decision: the document was voted for by 120 countries with 10 countries abstained and 50 countries, including Poland, the US, France, Ukraine, Japan, Canada and Germany voting against it. The resolution called for prevention of the revision of the results of WW II and denial of crimes against humanity.³

So, the US and the EU used all available mechanisms to limit Russia's ability to defend its positions in the UN. In most cases, Russia's BRICS partner countries distanced themselves from anti-Russian multilateral decisions or opposed them. The constructive position of United Nations member states and UN representatives on international information and food security issues is of undoubted importance.

5.4.7. The World Health Organization: maintaining a dialogue to overcome common challenges

Despite the escalation of the geopolitical situation, Russia's cooperation with the World Health Organization (WHO) continued in 2022.

As far back as December 2021, a negotiating process was started on the conclusion of a legally binding Global Convention on pandemic prevention, preparedness and response; the World Health Assembly passed a decision on the establishment of the intergovernmental negotiating body (INB) for preparation and negotiation of the draft agreement.⁴ The first session of this body started its work on February 24, 2022.⁵ Conceptual provisions of the draft convention were

1 Russia returned to the grain deal with Ukraine. URL: <https://www.gazeta.ru/politics/2022/11/02/15720481.shtml>

2 Achievements in the field of information and telecommunications in the context of international security. URL: <https://undocs.org/Home/Mobile?FinalSymbol=a%2F77%2F380&Language=E&DeviceType=Desktop&LangRequested=False>

3 General Assembly Adopts 51 Third Committee Drafts on Combating Glorification of Nazism, Refugees, Displaced Persons, Protecting Children from Sexual Exploitation. URL: <https://press.un.org/en/2022/ga12483.doc.htm>

4 The World Health Assembly resolved to begin the process of development of the historical global convention on pandemic prevention, preparedness and response. URL: <https://www.who.int/ru/news/item/01-12-2021-world-health-assembly-agrees-to-launch-process-to-develop-historic-global-accord-on-pandemic-prevention-preparedness-and-response>

5 WHO Director-General's opening remarks at first meeting of the Intergovernmental Negotiating Body to draft and negotiate a WHO convention, agreement or other international instrument on pandemic prevention, preparedness and response. 24 February 2022. URL: <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-first-meeting-of-the-intergovernmental-negotiating-body-to-draft-and-negotiate-a-who-convention-agreement->

formulated by December 7, 2022.¹ Russia supported these efforts. In particular, Sergei Lavrov, Russian Foreign Minister declared about the need to step up work on “promotion of preparedness to infectious diseases, including those similar to the coronavirus pandemic.”

Russia supported the G20 initiative to establish the financial mediation fund for pandemic prevention under the World Bank (the Pandemic Fund).² The Fund was established in September 2022. It sees its goal in facilitating “an additional long-term financing for reinforcing the capacity to respond to pandemics in countries with a low or medium level of income and address critical gaps by means of investments and technical assistance at national, regional and global levels.” The Fund’s governing bodies, in particular the Secretariate and the Technical Advisory Board include WHO representatives. As of November 2022, donors’ declared liabilities were equal to \$1.4 bn.³

The 75th session of the World Health Assembly held in Geneva on May 22–28, 2022 became an important event of the year.⁴ The Assembly’s key decision was the adoption of the resolution on strengthening the WHO preparedness for and response to health emergencies. In particular, it was envisaged to step up the work of the group on amendment of the International Health Regulations. The WHO Director General was instructed to assist this work and prepare the report on the progress in this line of operation.⁵

The 75th session of the World Health Assembly adopted resolution A75/A/CONF./6 on “Health emergency in Ukraine and in refugee receiving and hosting countries, stemming from the Russian Federation’s aggression against Ukraine.” The resolution condemns “the Russian Federation’s aggression against Ukraine” and calls on the WHO member countries to increase their contributions to aid Ukraine and refugee receiving and hosting countries.⁶ Russia and Syria proposed their draft resolution free of political assessments.⁷

The WHO published several calls to provide emergency aid and support to Ukraine⁸ and refugee receiving neighboring countries and reported its supply

or-other-international-instrument-on-pandemic-prevention-preparedness-and-response-24-february-2022

- 1 Conceptual zero draft for the consideration of the Intergovernmental Negotiating Body at its third meeting. URL: https://apps.who.int/gb/inb/pdf_files/inb3/A_INB3_3-en.pdf
- 2 Russian Foreign Minister Sergei Lavrov’s address and answers to media questions on the results of the G20 summit // Denpasar. November 15, 2022. URL: <https://www.mid.ru/ru/detail-material-page/1838803/>
- 3 New Fund for Pandemic Prevention, Preparedness and Response Formally Established. URL: <https://www.worldbank.org/en/news/press-release/2022/09/09/new-fund-for-pandemic-prevention-preparedness-and-response-formally-established>
- 4 Seventy-fifth World Health Assembly. URL: <https://www.who.int/about/governance/world-health-assembly/seventy-fifth-world-health-assembly>
- 5 Strengthening WHO preparedness for and response to health emergencies. URL: [https://apps.who.int/gb/ebwha/pdf_files/WHA75/A75\(9\)-en.pdf](https://apps.who.int/gb/ebwha/pdf_files/WHA75/A75(9)-en.pdf)
- 6 Health emergency in Ukraine and in refugee receiving and hosting countries, stemming from the Russian Federation’s aggression against Ukraine. URL: https://apps.who.int/gb/ebwha/pdf_files/WHA75/A75_ACONF6-ru.pdf
- 7 Health emergency in and around Ukraine and refugee receiving and hosting countries. URL: https://apps.who.int/gb/ebwha/pdf_files/WHA75/A75_ACONF8-en.pdf
- 8 Ukraine and Neighboring Countries. URL: https://cdn.who.int/media/docs/default-source/emergency-preparedness/jmo_who_ghea-2022_ukraine.pdf?sfvrsn=9c031bf8_3&download=true

of 398 tons of medicines and medical equipment.¹ In March-October 2022, they raised \$135 mn in the emergency fund, that is, 80.8% of the required sum.²

Resolution EUR/RCSS/R1 on “Health emergency in Ukraine and neighboring countries, stemming from the Russian Federation’s aggression” of the special session of the WHO European Regional Committee called for a transfer of the WHO Regional Office for Prevention and Control of Noncommunicable Diseases beyond the territory of the Russian Federation and a temporary suspension of all regional meetings under the WHO auspices in the Russian Federation until peaceful settlement of the conflict.³ In September 2022, the WHO regional office in Europe confirmed the suspension of the WHO bodies’ meetings and consultations in Europe. However, the transfer of the WHO Regional Office for Prevention and Control of Noncommunicable Diseases did not take place; it still performs its functions. The funding of its activities is carried out by means of the RF Government’s grants. In 2022, the Moscow Office for Prevention and Control of Noncommunicable Diseases implemented the following: subregional dialogues on the fight against obesity for Western Balkan and Central Asian countries; technical support within the scope of the WHO European initiative on epidemiological surveillance of child obesity; a training seminar and technical experts’ meeting on taxation in the interests of health protection (an anti-alcohol policy); a technical seminar on tobacco control; the meeting of the network of coordinators on physical activity issues for the EU; development of instruments to fight disinformation in the healthcare sector with a particular attention paid to noncommunicable diseases.⁴

Russia keeps working on promoting availability of vaccines against COVID-19. According to the statement of Sergei Lavrov, Russian Foreign Minister, “owing to the gap in approaches to vaccination, its level in developed countries amounted to 60%, while in poor countries, to the mere 5%.” To eliminate this imbalance, Russia stood for the vaccine registration process being free from politization. For example, Sergei Lavrov noted that the registration of the Russian “Sputnik-V” vaccine was artificially slowed down despite the fact that it proved its efficiency and was successfully supplied to 70 countries.⁵

Despite the worsening of the relations between Russia and the WHO, they keep maintaining contacts. Russia is committed to continue its work in the WHO

1 WHO Foundation calls for additional support for Health Emergency Appeal for Ukraine. URL: <https://who.foundation/wp-content/uploads/2022/05/WHO-Foundation-Ukraine-second-appeal-press-release-12.05.22.pdf>

2 Contributions to WHO’s Ukraine emergency appeal and refugee-receiving and hosting countries. URL: <https://www.who.int/emergencies/situations/ukraine-emergency/funding>

3 WHA75: Health emergency in Ukraine and neighboring countries, stemming from the Russian Federation’s aggression. URL: <https://apps.who.int/iris/bitstream/handle/10665/354120/ssrs01e-HealthEmergency-220378.pdf>

4 Implementation of the resolution EUR/RCSS/R1. URL: <https://apps.who.int/iris/bitstream/handle/10665/362151/72wd20-r-Res-RCSS-R1-220666.pdf?sequence=1&isAllowed=y>

5 Russian Foreign Minister Sergei Lavrov’s address and answers to media questions on the results of the G20 summit // Denpasar. November 15, 2022. URL: <https://www.mid.ru/ru/detail-material-page/1838803/>

and take part in “solution of global healthcare issues.”¹ In November 2022, the RF Ministry of Health and the WHO Regional Office in Europe reached an agreement on maintaining a sustainable dialogue.²

5.4.8. OPEC+: difficult decision amid high volatility on oil markets

A lack of compromise in negotiations in the OPEC+ format led to a collapse of prices for oil on global markets. After long negotiations, the OPEC+ member countries eventually succeeded in negotiating the reduction in oil production by the mid-year when the scope of decline in business activity because of COVID restrictions became clear. In 2021, the OPEC+ did not take any serious decisions to avoid an effect on the price for oil. In 2022, the geopolitical and energy crises led to a dramatic appreciation of prices for oil which amounted to \$120 per barrel in March.³ In a situation where both market and non-market mechanisms had a direct effect on appreciation of oil prices, the OPEC and the OPEC+ left oil production volumes unchanged. However, by summer 2022 prices for oil started to go down. Further, the G7 countries announced their intention to refuse gradually from Russian oil, introduce restrictions on tanker transportation of Russian oil and set a certain price cap on it. In addition, the US delivered large volumes of oil from its national reserves to reduce the price.⁴ The G7 efforts to influence the price by changing the volume of traded oil, as well as the possible testing of the mechanism of artificial price reduction caused concern of oil-exporting countries, the more so as the price cap in terms of sanctions had never been introduced before; in case of Iran and Venezuela they imposed restrictions on the volume of oil supplies.

In autumn, amid the economic crisis and China’s tough policy in respect of the spread of coronavirus infection – these two factors led to a decrease in demand for oil – the price for oil fell to about \$80 per barrel. For the first time in a long period, on October 5, 2022 OPEC+ representatives met personally and decided to reduce oil production by 2,000 barrels a day relative to the oil production levels as of August 2022 starting from November 2022 and extend the agreement on cooperation within the scope of the OPEC+ which was to expire by the end of the year.⁵ The decision was meant to stop a fall in oil prices, facilitate their growth in the interests of oil-exporting countries and consolidate control over factors of pricing.

1 The telephone conversation between Sergei Lavrov, Russian Foreign Minister and Tedros Adhanom, WHO Director General. URL: https://www.mid.ru/ru/foreign_policy/news/1813903/#sel=8:35:Dij,9:5:ah8

2 The RF Ministry of Health and WHO European Office agreed on maintaining regular contacts. URL: <https://tass.ru/obschestvo/16341083>

3 Closing price of Brent, OPEC basket, and WTI crude oil at the beginning of each week from March 2, 2020 to November 21, 2022. URL: <https://www.statista.com/statistics/326017/weekly-crude-oil-prices/>

4 DOE Announces Notice of Sale of Additional Crude Oil From the Strategic Petroleum Reserve. URL: <https://www.energy.gov/articles/doe-announces-notice-sale-additional-crude-oil-strategic-petroleum-reserve>

5 33rd OPEC and non-OPEC Ministerial Meeting. URL: https://www.opec.org/opec_web/en/press_room/7021.htm

It is well-known that during his visit to Saudi Arabia in summer 2022, US President Joe Biden tried to persuade it not to reduce oil production in order to prevent a further rise in inflation on the back of appreciation of prices for energy commodities on the eve of the US elections. The decision on reduction of oil production became a disappointment for the US, however, it is not yet clear whether retaliatory measures against Saudi Arabia will follow.

OPEC member countries are concerned about consumer-countries' efforts to influence the pricing by means of decision-making which is of a collusion nature. For many countries, the development of the situation with Russia is an illustration of how powerful such a pricing collusion may be, to what extent its implementation may be effective and what instruments they are going to use. OPEC member countries are aware of the fact that if a price cap on oil proves to be effective, they themselves may be subjected to similar restrictions and will face a fall in budget revenues. At the same time, Saudi Arabia which dominates in the OPEC may increase oil production in future to take niches which become available in case restrictions on Russian oil succeed.

At the regular meeting early in December, oil production levels were left unchanged and the OPEC member countries took a wait-and-see attitude.¹ With an overlap of economic interests between Russia and the OPEC+ member countries, in future it will be important to promote cooperation in this format (meetings are going to be held once in six months), discuss with partners possible responses to attempts to reduce the level of prices and impose extraterritorial restrictions on trade in oil from a certain country. At the same time, it is necessary to take into account the policies of all OPEC member countries and not Saudi Arabia alone because the G7 will exercise increasingly their influence on these countries by offering them various compensations for their non-compliance with the agreement on reduction in oil production.

5.4.9. The Shanghai Cooperation Organization: shaping new multipolarity

The new geopolitical environment influenced the work of the Shanghai Cooperation Organization (SCO). At the Samarkand summit, the SCO member countries condemned unilateral economic restrictions and declared about the need to reform the SCO and develop and adapt it to the present-day economic realities. The SCO sees its goal in facilitating a gradual switchover to a free flow of goods, capital, services and technologies within a scope of cooperation with the "One Belt – One Road" project and the EAEU. The SCO is developing financial mechanisms and promotes cooperation to build up global supplies in the energy sector to respond to the changing political and economic situation on the oil and gas market.

The prospects of the SCO expansion became explicit in 2022. The procedure for Iran's joining the Organization was finalized; the SCO Samarkand summit endorsed unanimously Belarus's application for joining the SCO; Saudi Arabia,

1 34th OPEC and non-OPEC Ministerial Meeting. URL: https://www.opec.org/opec_web/en/press_room/7060.htm

Qatar and Egypt were granted the status of dialogue partners and Kuwait, the United Arab Emirates (UAE), the Republic of Maldives and Myanmar initiated the procedures for receiving a similar status. The UAE expressed a particular interest in cooperation with the SCO and expects to become its full member in an expedited manner. Gulf Cooperation Council countries' increased interest in the SCO is justified by the attractiveness of the Asian sales markets, particularly China and India. Amid Iran's joining the SCO, Gulf Cooperation Council countries regard their joining the SCO as an opportunity to limit Iran's influence in the Organization. Further, the SCO is a good platform for consolidating ties with Russia amid a decline in the US influence in the region. Also, GCC countries take interest in Central Asia's markets: in September 2022 the GCC – Central Asia Strategic Dialogue started in Riyadh to initiate cooperation in all sectors of mutual interest. The GCC countries' membership in the SCO will facilitate the promotion of the existing economic relations. In the long term, GCC countries expect a free trade zone to be established.

Food security and cooperation in agriculture were on the top of the SCO agenda in 2022. In accordance with the draft concept of cooperation between the SCO member countries in the field of “smart” agriculture and agricultural innovations adopted at the meeting of ministers of agriculture, it is planned to establish cooperation within the scope of R&D and exhibition and fair activities.¹ At the Samarkand summit, Shavkat Mirziyoyev, President of Uzbekistan put forward an initiative to develop common food security guidelines envisaging the harmonization of member countries' regulatory frameworks.² In their statement on the results of the summit, the SCO member countries called on food producers and exporters to reduce the number of tariff and non-tariff barriers and the international community to support developing countries in terms of access to capital and technologies in order to promote food security. The SCO member countries intend to promote cooperation on establishing “green” transportation corridors and routes for timely food deliveries.³

The SCO cooperation was further promoted in the field of climate change response measures. The meeting of the heads of environmental agencies approved the draft of the program of a joint establishment of the SCO platform on the ecological information exchange. Based on the summit results, the Declaration on Responding to Climate Change, underlying the need to implement the Paris agreement was signed; it called on developed countries to render financial and technological assistance to developing countries and defined a complex of planned measures to fight climate change, including a reduction in emissions, establishment of an adequate infrastructure, development of the “green” and low-

1 Information report on the 7th ministerial meeting of SCO member countries on cooperation in agriculture. URL: <http://rus.sectscsco.org/news/20220726/906752.html>

2 President Shavkat Mirziyoyev's speech at the SCO Heads of State Council Meeting (full text). URL: <https://review.uz/post/vstuplenie-prezidenta-shavkata-mirziyoyeva-na-zasedanii-soveta-glav-gosudarstvchlenov-shos-polny-tekst>

3 The SCO Heads of State Council's declaration on facilitation of global food security. URL: <http://rus.sectscsco.org/documents/>

emission technologies and an exchange of experience in the field of investment standards and sustainable projects, particularly green taxonomies.

The SCO member countries intend to promote cooperation to mobilize funding in this sector, establish a dialogue between the SCO member countries on carbon markets, including harmonization of approaches to participation in international carbon markets and facilitate the networking of observer-states and dialogue partners in these fields. Further, Emomali Rahmon, President of Tajikistan called for endorsement of the initiative to declare 2025 as the international year of preservation of glaciers and establishment of the international fund for saving glaciers. Also, Emomali Rahmon promised to present shortly the draft of the strategy of economic development of the SCO regions till 2030 with an emphasis made on the green development concepts.¹ Sadyr Japarov, President of Kirgizstan called for support at the UN level of his country's initiative to declare 2023–2027 as a period of activity aimed at developing mountain regions.² Shehbaz Sharif, Prime Minister of Pakistan put forward an initiative to develop the SCO long-term climate plan.³ Shavkat Mirziyoyev, President of Uzbekistan called for institutionalization of cooperation on climate issues and establishment of the SCO Climate Council.⁴

It is noteworthy that financial cooperation was developing further. Russia's initiative to increase the share of national currencies in mutual settlements was actively elaborated and the summit approved the road map on implementation thereof. The practice of using national currencies in mutual settlements was further promoted within the frameworks of the SCO Interbank Association. However, the establishment of the SCO Bank is still at the level of intentions set forth in the joint communique.

In the context of cooperation between the SCO and the EAEU in the transport and logistics sector, the EAEU proposed to develop jointly with the SCO a transport and logistics megaproject linking the territories of the Eurasian region. As a result, the SCO summit endorsed the decision on building the “China-Kirgizstan-Uzbekistan” railway with Iran planning to join the project.

The energy security issue was on the top of the summit's agenda, too. The member countries supported an effective utilization of the energy potential to build up global supplies of oil, gas and electricity and called for consolidation of networking between suppliers, consumers and transit countries. Also, they expressed support for clean energy, particularly the coordinated development of wind, solar, hydrogen, nuclear, hydro and bio energy and energy storage technologies, as well as cooperation in the field of innovations in the energy

1 President Emomali Rahmon's speech at the expanded meeting of the SCO Heads of State Council. URL: http://rus.sectSCO.org/archive_news/20220923/914597/Vystuplenie-Prezidenta-Respubliki-Tadzhikistan-Emomali-Rakhmona-na-zasedanii-Soveta-glav.html

2 The SCO summit. The text of Sadyr Japarov's speech. URL: <https://kg.akipress.org/news:1805167>

3 Shehbaz Sharif called for the development of the environment protection plan in the SCO countries. URL: <https://uz.sputniknews.ru/20220916/shaxbaz-sharif-davayte-razrabotaem-plan-kak-my-budem-spatat-nashi-strany-v-plane-ekologii-28242901.html>

4 Shavkat Mirziyoyev's speech at the meeting of the SCO Heads of State Council (the full text). URL: <https://review.uz/post/vstuplenie-prezidenta-shavkata-mirziyoyeva-na-zasedanii-soveta-glav-gosudarstvchlenov-shos-polny-tekst>

sector. An action plan for implementing the Concept of Cooperation in the Energy Sector and the Program of Cooperation between Authorized Bodies in the Field of Utilization of Renewable Energy Sources was signed.

Thus, the SCO is becoming an increasingly attractive platform for cooperation and may over time turn into an association representing the interests of all major Asian countries. The SCO agenda is growing; climate issues which used to remain beyond the focus of the organization for a long period are actively discussed and all this forms the basis for an advanced technologies exchange and financial support of developing countries. Active networking in the energy sector is particularly important amid sanctions pressure on Russia and facilitation of energy security for all SCO member countries. The implementation of Russia's initiative on increasing the share of national currencies in mutual settlements is an important step towards consolidation of economic cooperation.

5.4.10. The Eurasian Economic Union: consolidation of cooperation to overcome sanctions pressure

According to the officially adopted theses of the 1st Eurasian Economic Forum held in Bishkek on May 26, 2022, the EAEU's integration priorities include: implementation of the Strategy of Development till 2025, particularly the promotion of import substitution projects, facilitation of food security, implementation of the digital agenda, integration of payment systems and bank cards for settlements in national currencies, formation of own international financial and settlement mechanisms, development of cooperation in the sector of "green" technologies, establishment of the Eurasian reinsurance company and development of trade and investment agreements with participation the SCO, the ASEAN and the BRICS member countries.¹

Within the scope of networking on the climate agenda and "green technologies", the road map on cooperation adopted on October 21, 2022 was an important achievement; it included the following lines: the analysis of national legislative frameworks and development of common approaches in this sector; formation of the unified market and non-market carbon regulation mechanisms to achieve goals of the Paris agreement; identification of incentives to promote low-emission transformation in transportation, energy, metallurgy, the chemical industry, the building industry and agriculture; promotion of Eurasian low-carbon development initiatives and "green" financing; creation of the bank for climate technologies and digital initiatives; promotion of the EAEU member countries' climate-related interests in the international arena.² The cooperation in the field of hydrogen energy was actively discussed and a new catalogue of R&D projects, equipment and components in this sector was prepared.

The completion of the work on the agreement on establishment of the Eurasian Reinsurance Company (ERC) was the EAEU's major achievement in 2022.

1 The main theses of the 1st Eurasian Economic Forum were prepared. URL: <https://eec.eaeunion.org/news/podgotovleny-osnovnye-tezisy-pervogo-evraziyskogo-ekonomicheskogo-foruma/>

2 Climate agenda. URL: <https://eec.eaeunion.org/comission/departament/dotp/klimaticheskaya-povestka/>.

The ERC's charter capital which is to be formed by means of member countries' contributions will be equal to Rb15 bn. The ERC's potential insurance capacity of up to \$2 bn (without a possible expansion taken into account) is meant to "stimulate mutual and foreign trade and implementation of joint projects through increasing insurance capacity and professional risk management in the EAEU's entire territory."¹

Also, the sectoral cooperation was active, too: "Civil Aeronautics", a new technological platform was created, the Eurasian Network University was established, the information website of the Eurasian Economic Commission (EEC) on interregional development was put into operation and the agreement on free trade in organic agricultural products was prepared. Further, international cooperation in trade was fruitful, as well. A regular round of negotiations on the establishment of a free trade zone with Egypt was held, progress was made in negotiating a similar agreement with Iran and intentions were declared to develop a free trade agreement with Indonesia.

For the development of the EAEU as an integrated association, the approval of a package of amendments to the EAEU Customs Code was an important decision. These amendments will help adjust the procedure for cross-border container movement, cabotage and transit traffic, application of customs procedure of customs warehouse, customs-free zone and free warehouse. The draft of the so-called "3rd Big Protocol", which included amendments to the Agreement on the EAEU was approved. It is aimed at eliminating regulatory framework gaps identified in the course of law enforcement practice, clarifying the terminology and entrusting the EAEU bodies with authorities as regards technical regulation, phytosanitary measures, state procurement, as well as implementation of the Strategy-2025. The commission on preparing the main guidelines for the EAEU's economic development till 2035 began its work. The document will define the common perspective lines of the long-term economic development for all EAEU member countries, proceeding from the integration of their competitive advantages and with global economic development patterns taken into account.

Unfortunately, the EAEU failed to make a breakthrough in some key lines of development in 2022. In 2022, the EAEU's priorities included the preparation of the data flow agreement and finalization of agreements on common markets of oil, gas and electricity. In both the fields, the EAEU failed to formulate concrete proposals and draft agreements by the end of the year. The data flow agreement is expected to be prepared by the end of 2023. At present, the differences in approaches slow down the process of preparing the agreement; for example, some EAEU member countries require the localization of the data within the limits of their own countries and the use of electronic identification methods are limited. Common markets of energy commodities are expected to open by 2025, while the contractual framework is to be prepared by January 1, 2023. Despite an active negotiating process, no consensus was reached. Within the scope of cooperation

¹ The agreement on the establishment of the Eurasian Reinsurance Company was finalized. URL: <https://eec.eaunion.org/news/zavershena-rabota-nad-soglasheniem-ob-uchrezhdenii-evraziyskoy-perestrahovochnoy-kompanii/>

in the financial sector, the EAEU member countries continued to discuss the initiatives put forward in 2021: the agreement to allow brokers and dealers of one EAEU member country to the trades at the exchanges (trade organizers) of another member country and the agreement on the standardized license within the frameworks of the EAEU.¹ However, no progress was achieved in this field. The promotion of cooperation in the financial and energy sectors is important for advancing Russia's interests and countering the G7 countries' attempts to isolate Russia's financial sector and introduce a price cap on Russian energy commodities.

Thus, the year 2022 saw both important breakthroughs, such as the establishment of concrete mechanisms of networking in priority fields within the EAEU frameworks and a lack of progress in key lines of cooperation. The most important thing is that the EAEU is unanimously determined to respond cohesively and jointly to economic and geopolitical challenges, take coordinated decisions to minimize the implication of sanctions imposed on Russia and Belarus and promote cooperation with friendly countries. In future, it is necessary to facilitate progress in solving the objectives defined at the Eurasian Economic Forum, particularly the data flow issues (for example, through the process of mutual bilateral recognition of data protection adequacy) and the development of financial markets, and take concrete steps to implement the adopted agreements in practice.

5.4.11. The European Union: the strengthening of mutually disadvantageous and destructive restrictions

By December 2022, the EU adopted eight packages of anti-Russian sanctions which included restrictions both against individuals and economic sectors. The toughest sanctions were introduced against the RF state budget (the freezing of Central Bank of Russia's assets), the financial sector (cutting off Russia's largest banks from the SWIFT and the ban on access to the European capital market), the humanitarian sector (cancellation of the simplified visa regime first for diplomats and then for all citizens of the Russian Federation), aviation (the closure of airspace), the mass media (shutdown of branches of Russian media companies) and imports of some raw materials (iron, steel, cement and timber).²

The most serious restrictions were imposed on the Russian energy sector. The EU countries approved a ban on imports of Russian coal, tanker-transported oil (with a few exceptions) and petrochemicals and a price cap of \$60 per barrel for Russian oil endorsed by the G7 countries, as well as strengthened restrictions on supplies of equipment for the energy sector. In May 2022, the EU negotiated the REPowerEU plan which was aimed at reducing all energy commodity supplies, primarily natural gas, from Russia by 2027. The plan includes the following two lines: the diversification of gas supplies through increasing imports of LNG and pipeline imports from non-Russian exporters and further growth in biomethane

1 The issues of free capital flow were discussed at the meeting of the Financial Market Advisory Committee. URL: <https://eec.eaeunion.org/news/voprosy-obespecheniya-svobodnogo-dvizheniya-kapitala-obsudili-na-zasedanii-konsultativnogo-komiteta/>

2 Timeline – EU restrictive measures against Russia over Ukraine. URL: <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/history-restrictive-measures-against-russia-over-ukraine/>

and hydrogen volumes; the upgrading of energy efficiency, an increase in the share of renewable energy sources and elimination of bottlenecks in the infrastructure. All these measures create serious economic problems for the EU countries. Appreciation of prices for energy commodities led to growth in the rate of inflation (the average level of EC-27 was equal to 9% in 2022)¹ and budget expenditures. With a pick-up in coal consumption (growth of 14% and 7% in 2021 and 2022, respectively)² and LNG purchases, net greenhouse gas emissions will definitely rise. For example, by some estimates, carbon emissions in production of LNG are ten times higher than those in pipeline gas production and delivery.³ By other estimates, greenhouse gas emissions in LNG production, transportation, liquefying and regasification may be equal to emissions produced during gas burning and all this actually doubles the effect on the climate by each energy unit received from gas transported from abroad.⁴ At the same time, on the back of rapid deployment of renewable energy plants, net greenhouse gas emissions decreased in 2022. However, the statistics does not take into account emissions during gas liquefaction in the country of origin. By some estimates, if Russian pipeline gas deliveries stop in 2023, it will add 35 mn tons of CO₂ emissions from the imported production as compared with 2021.⁵ The EU's goal was to fill at least by 80% of gas storage facilities by the beginning of the heating season. Most EU countries managed to do it very quickly.

Though the EU succeeded in reducing the consumption of Russian pipeline gas and oil and filling gas storage facilities in 2022, they still face several important challenges which need to be resolved in the forthcoming months. In 2022, the EU managed to increase promptly and considerably LNG purchases on global markets. Owing to economic recession in China and the policy of severe restrictions, global demand for LNG declined. With China's return to the pre-pandemic level of consumption, demand will grow considerably and the EU will have to compete on the consumer market; all these factors lead to appreciation of prices. In its report, the International Energy Agency declared that the EU will be facing a possible shortage of 30 bn m³ of gas next summer if Russia suspends all the remaining pipeline gas flows and China's demand for LNG picks up. At the same time, the EU countries kept buying LNG and, in some cases, started to buy gas from Russia: imports grew by 20%.⁶ So, despite their refusal to buy pipeline gas and attempts to find alternatives, the EU turned eventually to Russia for gas purchases. The EU managed to fill its gas storage facilities, particularly by increasing gas purchases

1 Inflation rate, average consumer prices. URL: <https://www.imf.org/external/datamapper/PCPIPCH@WEO/EURO/EU/AUT/BEL/DNK/FIN/FRA/DEU/GRC/IRL/ITA/LUX/NLD/PRT/ESP/SWE/GBR>

2 Global coal demand is set to return to its all-time high in 2022. URL: <https://www.iea.org/news/global-coal-demand-is-set-to-return-to-its-all-time-high-in-2022>

3 Climate change: Hidden emissions in liquid gas imports threaten targets. URL: <https://www.bbc.com/news/science-environment-63457377>

4 Sailing To Nowhere: Liquefied Natural Gas Is Not An Effective Climate Strategy. URL: <https://www.nrdc.org/sites/default/files/sailing-nowhere-liquefied-natural-gas-report.pdf>

5 Climate change: Hidden emissions in liquid gas imports threaten targets. URL: <https://www.bbc.com/news/science-environment-63457377>

6 Europe still can't live without this Russian energy export. URL: <https://edition.cnn.com/2022/11/09/energy/russian-lng-imports-europe/index.html>

in Russia in H1 2022. Amid competition with other LNG consumers, it will be more difficult for the EU to fill its gas storage facilities without gas supplies from Russia.¹ Further, a ban on purchasing petrochemicals from Russia, including diesel fuel (the EU currently buys 60% of it from Russia) will come into effect from February 2023.² Consequently, the EU has to look urgently for alternative suppliers. By experts' estimates, it is going to be difficult for Russia, too, as it has to redistribute the whole volume of the EU market to other consumers, which situation leads to a reduction in production in Russia and global growth in prices for this important type of fuel.

Within the scope of the planned legislative process in 2022, the EU discussed the Fit for 55 package initiatives, primarily related with the European Union Emissions Trading System (EU ETS) and the introduction of the carbon border adjustment mechanism (CBAM). On December 18, 2022, the EU Council and Parliament came to an agreement on the reform of EU ETS and introduction of CBAM. By 2030, emissions in sectors in which respect ETS was introduced are expected to decline by 62% as compared with 2005. To facilitate this reduction, the EU will reduce on a non-recurrent basis the emission quota ceiling: by 90 mn tons and 27 mn tons of the CO₂ equivalent in 2024 and 2026, respectively. Further, an annual quota reduction of 4.3% and 4.4% is planned in 2024–2027 and 2028–2030, respectively. For sectors which received a permission free of charge because of the risk of carbon leakage,³ a nine-year period (from 2026 to 2034) for transition to the auction-based purchase of emissions was approved. CBAM is officially established as a new instrument to fight leakage; it is expected that when buying quotas both direct and indirect emissions will be taken into account. During the transition period, in respect of the abovementioned sectors which are exposed to leakage CBAM will be applied only to that portion of emissions which is not covered by free-of-charge quotas within the frameworks of EU ETS in order to comply with the WTO's rules.⁴ In the current situation, the potential influence of these measures on Russia's interests decreased with introduction of restrictions on imports from the country in sectors to which adjustment is applied (cement, steel). However, for example, in case of aluminum CBAM is still relevant. Also, as one cannot exclude the lifting of sanctions in the mid-term, adjustment may become a challenge to Russian exporters in future. The EU Council and Parliament approved the start of an individual quota trading system in respect of buildings and transportation by 2027, but granted its member countries a temporary permission to relieve economic entities from buying quotas until 2030 if they are charged the carbon tax at the national level at the rate which is equivalent to or above auction prices

1 Europe needs to take immediate action to avoid risk of natural gas shortage next year. URL: <https://www.iea.org/news/europe-needs-to-take-immediate-action-to-avoid-risk-of-natural-gas-shortage-next-year>

2 The West's oil war with Russia gets real. URL: <https://www.politico.eu/article/west-oil-war-russia-sanctions-oil-price-cap-g7-vladimir-putin-zelensky-opec-war-ukraine/>

3 Production of cement, aluminum, fertilizers, electricity, iron and steel.

4 'Fit for 55': Council and Parliament reach provisional deal on EU emissions trading system and the Social Climate Fund. URL: <https://www.consilium.europa.eu/en/press/press-releases/2022/12/18/fit-for-55-council-and-parliament-reach-provisional-deal-on-eu-emissions-trading-system-and-the-social-climate-fund/>

for quotas in the new emission trading system. Further, they took a decision to include maritime transportation emissions into the EU ETS. The EU approved a gradual introduction of obligations on shipping companies to buy quotas: 40%, 70% and 100% of confirmed emissions should be covered by quotas bought on auctions in 2024, 2025 and 2026, respectively. A decision on application of quota trading to aviation, including flights beyond the EU, is expected to be taken after 2026.

Overall, the geopolitical crisis of 2022 made the EU to review its plans regarding a gradual refusal from Russian gas (the plan initially envisaged even growth in Russian gas consumption till 2030) and speed up the diversification of supplies and introduction of RES. The EU achieved some success in it, but the measures they took are most likely short-termed and helped overcome the existing problems, rather than offered long-term strategic solutions. The sanctions policy has brought about growth in expenditures which are going to pick up further and increase the inflationary pressure in 2023. At the same time, despite the difficulties and certain growth in utilization of not very climate resilient practices (use of coal and liquefied gas), in the medium and long term the EU is still committed to the goals of the Green Deal, raises the level of climate ambitions and strengthens the instruments of influence on carbon pricing by applying them extraterritorially to all market participants via CBAM. Russia loses ahead of time its main markets for numerous commodities, encounters serious challenges in the financial sector and is denied an access to frozen assets; Russian companies are cut off from resources, sales markets, technologies and investments. In the near future, both Russia and the EU will be looking for new sales markets and suppliers and addressing their mounting internal problems.

* * *

The new crisis has become another evidence of fragility and low efficiency of multilateral financial institutes, particularly amid extreme manifestations of the US national egoism and hegemony.¹ The isolation of Russia failed owing largely to the support of its partners in non-western institutes, which situation proved the correctness of the Russian policy on establishing and developing new institutes of global and regional management. At the same time, there is a need for consistent implementation of collective decisions, promotion of new mechanisms' capacity and facilitation of their synergic interaction. The US and its allies are planning to continue the pressure in order to exclude Russia from the work in the key economic and financial institutes (the G20, the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices, the International Association of Insurance Supervisors and the International Organization of Securities Commissions), having envisaged even funding for this in the 2023

¹ *Mason P.* How coronavirus could destroy the Western multilateral order. URL: https://www.newstatesman.com/world/north-america/2020/03/how-coronavirus-could-destroy-western-multilateralorder?mc_cid=6a901092aa&mc_eid=6f24f55c06

defense budget.¹ In this context, the promotion of economic cooperation and implementation of decisions on settlements in national currencies, establishment of common payments systems, motivation to use financial products denominated in national currencies and facilitation of mutual access to financial markets of the SCO, the BRICS and the EAEU will be crucially important in 2023.

5.5. Customs administration²

The year 2022 saw the approval of numerous statutory and other regulatory legal acts aimed at mitigating administrative barriers on the way of movement of goods via the customs border.

The Federal Law “On Customs Regulation in the Russian Federation and Amendment of Legislative Acts of the Russian Federation» was amended for the purpose of upgrading customs administration, including the following:

- The procedure was simplified for importing equipment transported via the border by single consignments within a lengthy period of time up to six years: until January 1, 2029 it is permitted to import composite goods within the frameworks of several foreign economic deals; restrictions were lifted on importing equipment in a disassembled state; the period of preliminary decision-making regarding the classification of goods under FEACN (Customs Commodity Code) was reduced;³
- The order for applying customs procedures for processing goods at customs territories was simplified: the rates of output of processed products were set in the range varying from the minimal value to the maximum one; transportation of intermediate goods between various production sites was permitted; no advance notification of waste prior to the start of processing was required; the period of introducing changes into a processing permit was reduced;⁴
- Harmonization was carried out of activities of the customs authorities’ mobile groups with powers to stop automotive vehicles in the territory of the Russian Federation in specially designated places and check the compliance of transported goods with the customs regulation in order to identify sanctioned goods and goods which are illegally imported from the territory of Kazakhstan and other EUEU member-countries.⁵

The RF Government is empowered to carry out an experiment with customs monitoring of the goods accounting system data being at disposal of persons

1 H.R.7776 – James M. Inhofe National Defense Authorization Act for Fiscal Year 2023. URL: <https://www.congress.gov/bill/117th-congress/house-bill/7776/text>

2 Author: G.V. *Balandina*, Senior Researcher at the International Foreign Trade Studies Department, IAES RANEP.

3 Federal Law No. 74-FZ of March 26, 2022 “On Amendment of Individual Statutory Acts of the Russian Federation and Suspension of Individual Provisions of Legislative Acts of the Russian Federation.”

4 Federal Law No. 152-FZ of May 28, 2022 on “Amendment of the Federal Law on “The Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation.”

5 Federal Law No. 313-FZ of July 14, 2022 “On Amendment of the Federal Law “On Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation.”

participating in the experiment.¹ It is believed that customs authorities will be granted a remote access to the system of accounting participants in foreign economic activities (FEA) and will notify of those declarations in respect of which risks have been identified based on the data monitoring results. A FEA participant carries out a self-check and informs the customs authorities of its results. If legitimacy of the declared data is proved, customs audit is not carried out. Such an experiment will be carried out from April 3, 2023 till November 1, 2024.²

The RF Government has taken measures aimed at simplifying imports.

As a measure of support, importers require primarily to simplify the compliance of imported goods with technical regulation requirements of the Customs Union. Without a conformity assessment being made, FEA participants were granted the right to receive on the basis of their own evidence base declarations on compliance in respect of a consignment of goods. Issued (registered) certificates of compliance and (or) declarations on compliance with mandatory requirements for mass-produced goods can be used by any importers and not only those FEA participants specified in the documents. A declarant is not obligated to confirm to the tax authorities the right to use these documents. Prior to September 1, 2023 included, goods are allowed to be imported without labelling envisaged by the EAEU technical regulations. The same procedure is applied to the unified circulation mark on the EAEU market. Relevant labelling is required to be made prior to the sale of products to the buyer (consumer).³

In 2022, the authorization of parallel imports, that is, imports of goods without the trademark holder's approval on condition of legal introduction of specified goods in circulation beyond the territory of the Russian Federation was a high-profile imports support measure. Although the international principle of exhaustion of trademark rights is allowed in numerous countries, including the USA, Brazil, China and India, parallel imports are authorized temporarily in Russia till the end of 2023 and only in respect of those goods which are included in the special list approved by the RF Ministry of Industry and Trade.⁴ The procedure for forming the list is not formalized; it was amended three times within a year. It is understood that the list includes the brands of those companies which left the Russian market. Without networking with trademark holders, the customs authorities still intend to prevent counterfeit goods and request occasionally from importers the documents certifying the introduction of goods in circulation in the third country with the consent of the trademark holder and engage experts for this work. A temporary nature of these measures does not suggest a system-based

1 Federal Law No. 314-FZ of July 14, 2022 "On Amendment of Article 120 of the Federal Law "On Customs Regulation in the Russian Federation and Amendment of Individual Statutory Acts of the Russian Federation."

2 URL: <https://www.osfts.ru/meropriyatiya/2022/3277-novye-problemy-regulyatory-i-biznes-dolzhny-reshat-vmeste>

3 RF Government Decree No. 353 of March 12, 2022 (as amended of December 23, 2022) "On the Specifics of Licensing Activity in the Russian Federation in 2022 and 2023."

4 Order No. 1532 of April 19, 2022 of the RF Ministry of Industry and Trade "On Approval of the List of Goods (Groups of Commodities) in Respect of which Provisions of Article 1359 (6) and Article 1487 of the Civil Code of the Russian Federation are not Applied Provided That Specified Goods (Groups of Commodities) Have Been Introduced into Circulation by Right Holders (Patent Holders), as well as with Their Consent Beyond the Territory of the Russian Federation."

parallel imports regulation which takes into account the interests of trademark holders and consumers and promotion of competition as customary in other countries applying the international principle of exhaustion of trademark rights. In 2022, the overall volume of parallel imports was estimated at \$17 bn-\$20 bn.¹

For individual categories of FEA participants, the deadline for execution of the customs authorities' notifications of unpaid customs duties is extended from 15 business days to 45 calendar days until April 3, 2023.² Such payers include declarants which paid over Rb7 bn in the budget in the past three years or used the services of customs agents, authorized economic operators and customs representatives.

Until February 1, 2023, weight and dimensional control of motor vehicles transporting essential food products and non-food products from abroad is not carried out at entry points on Russia's state border.³

Multiple utilization of containers carried by rail, sea, inland waterway and mixed river-sea transport to the Russian Federation is allowed for domestic transportation.⁴

As a matter of priority, customs authorities carry out customs clearance of goods of the so-called critical imports without unjustified delays. The list of priority import products⁵ approved by the Government of the Russian Federation includes primarily food and medical goods, building materials, paper and cardboard, equipment and manufacturing components.

The year 2022 saw an automatic registration, that is, without involvement of customs officials, of 87% of declarations for goods (DG); autorelease was equal to about 33% (over 1.2 mn of DG out of 3.7 mn DG). Over 86% of the declarations are issued within 4 hours, while the remaining 14%, within a longer period; the Federal Customs Service believes it happens mainly because of declarants' errors (inaccurate completion of DG, late submission of documents, as well as a low level of professionalism of individual customs representatives⁶). According to FEA participants, unpredictable timing for the release of goods is related with multiple risk profiles established by customs authorities within the frameworks of the risk management system (RMS).

1 URL: <https://www.vedomosti.ru/economics/news/2022/11/30/952811-obem-parallelnogo-importa-dostig-17-mlrd>

2 RF Government Decree No. 565 of April 02, 2022 "On the Establishment of the Categories of Payers of Customs Duties, Taxes and Special Anti-Dumping Countervailing Duties and Persons which are Jointly and Severally Liable with the Payer for Payment of Customs Duties, Taxes and Special Anti-Dumping Countervailing Duties."

3 RF Government Decree No. 1670 of September 22, 2022 "On the Specifics of State Control (Supervision) of International Road Transportation of Goods at Entry Points on the Border of the Russian Federation"; the list of essential goods is approved by RF Government Edict No. 762-r of March 27, 2020.

4 Federal Law No. 92-FZ of April 15, 2022 "On Amendment of Individual Statutory Acts of the Russian Federation."

5 RF Government Decree No. 895 of May 18, 2022 "On Approval of the Rules of Granting Subsidies out of the Federal Budget to Credit Institutions for Reimbursement of the Lost Income on Loans Extended for Purchasing Priority Import Products."

6 URL: <https://www.osfts.ru/meropriyatiya/2022/3341-zadacha-tamozhni-i-biznesa-ne-tolkoslushat-no-i-slyshat-drug-druqa>

The Federal Customs Service of the Russian Federation announces a stepwise introduction of RMS in 2023–2024 based on the real-time monitoring and being capable of reducing an administrative load on bona fide FEA participants. The new model allows to identify in a real-time mode the known and new types of risk situations by means of modern data analysis technologies, artificial intelligence (AI) and machine learning, as well as carry out control measures to fix violations and determine the actual likelihood of occurrence thereof. Based on the real-time monitoring outputs, RNS instruments of nationwide, regional and area-based importance will be developed and measures on risk minimization will be applied in conformity with these risk profiles.

In 2022, amid a decrease in imports volumes the number of customs audits and cases of administrative violations increased. In 2022, the customs authorities carried out 1,940 customs audits and 8,161 forms of other customs control; the overall amount of additionally accrued liabilities was equal to Rb28 bn, the amount of those collected, to Rb18.5 bn.¹ By contrast, in 2021 they carried out 1866 customs audits and 8542 forms of customs control with additionally accrued liabilities and those collected amounting to Rb24.4 bn and Rb14.3 bn, respectively.² In 2022, customs authorities initiated 146,936 cases of administrative violations (AV), an increase of 6.5% relative to 2021 (138,818). It is noteworthy that legal entities account for over a half of them, that is, 50.7% (74,495 cases).³

The year 2022 saw the disruption of customary logistics routes and reorientation of commodity flows from the north-western to south-eastern and southern directions where entry lines happened to be unprepared to a substantial increase in commodity volumes. The seaports at the Far East and Novorossiysk reached the peak of their capacity. The reconstruction of automobile check points making it feasible to increase capacity is scheduled for 2024–2026.⁴

Amid infrastructure limitations, administrative state control procedures faded into the background. However, the means of optimization of control procedures at check points are already defined in numerous program and management documents of the RF Government and federal executive authorities, as well as statutory acts of the EAEU. Various concepts (prospective models), such as “An Intelligent Checkpoint”⁵ (the responsibility of the Federal Customs Service), “the Single Window”⁶ (the responsibility of the RF Ministry of Economic Development),

1 URL: <https://customs.gov.ru/activity/results/itogi-deyatel-nosti-tamozhennyx-organov-posushhestvleniyu-tamozhennogo-kontrolya-posle-vypuska-tovarov/document/377866>

2 URL: <https://customs.gov.ru/activity/results/itogi-deyatel-nosti-tamozhennyx-organov-posushhestvleniyu-tamozhennogo-kontrolya-posle-vypuska-tovarov/document/342633>

3 URL: <https://customs.gov.ru/activity/pravooxranitel-naya-deyatel-nost-/informacziya-upravleniya-tamozhennyx-rassledovaniy-i-doznaniya/document/323702>

4 URL: <https://www.vedomosti.ru/business/articles/2022/12/23/956694-rasshirenie-punktov-propuska-s-kitaem>

5 The plan of measures in 2021–2024 approved by the RF Federal Customs Service on implementation of the Strategy of Development of the Customs Service of the Russian Federation till 2030.

6 Decision No. 68 of May 29, 2014 of the Supreme Eurasian Economic Council “On the Main Guidelines for the Development of the “Single Window” Mechanism in the System of Regulation of the Foreign Economic Activity.”

“Seamless Freight Logistics”¹ (the responsibility of the Ministry of Transport of the Russian Federation) were developed. The Ministry of Transport of the Russian Federation approved the prospective checkpoint models for all means of transportation²; these models are expected to implement from 2025. The RF Federal Customs Service introduced the electronic document management technology in exercising state control at sea checkpoints (KPS “Portal Morskoi Port”). It is important to introduce developed concepts on the basis of the “single window” mechanism which facilitates a one-time submission of data in an electronic format for a multiple utilization thereof by all state supervising authorities.

For the purpose of reducing an administrative load and making customs administration clearer and more predictable in order to facilitate more companies, including small and mid-sized business, to engage in foreign economic activity, it is proposed to do the following:

1. Ensure real-time notification on a regular basis of new requirements to imports, exports and transit of goods on the website of the RF Federal Customs Service, as well as uniform application of the customs legislation by means of monitoring, generalization and analysis of case law and FEA participants’ complaints and queries and preparation by the RF Federal Customs Service of explanations (guidelines) on how to apply individual provisions of the customs legislation.
2. Introduce in the legislation reservations regarding inadmissibility of a retroactive change in the stable law enforcement practice in carrying out of control after the release (including the rule that all explanations by the RF Ministry of Finance and the RF Federal Customs Service, on which basis FEA participants’ customs payments due have been increased, are applicable only after the publication thereof without extension on legal relations which took place prior to the publication of such explanations).
3. Facilitate regular consultations with business associations on issues related with efficiency of the risk management system, categorizing of FEA participants for the purpose of identification and elimination of excessive and ineffective audits and refinement of the criteria for assessment of FEA participants in order to attribute them to a certain risk category.
4. Organize the work of the institute of preliminary decisions, including:
 - 1) Establish regional customs authorities’ specialization by individual types of goods in issuing of a preliminary decision on the classification of goods in accordance with FEACN; this will make it feasible to distribute

1 RF Government Edict No.3363-r (On the Transport Strategy of the Russian Federation till 2030 with Outlook till 2035); RF Government Edict No. 3744-r of December 21, 2021; RF Government Decree No.1596 of December 20, 2017 “On Approval of the “Development of the Transport System” State Program.”

2 Instructions No.VS-270-r of October 21, 2022 of the Ministry of Transport of the Russian Federation “On Prospective Models of Automobile, Sea, Rail and Air Checkpoints Through the State Border of the Russian Federation Used as a Standard in Building, Reconstruction, Outfit and Technical Equipment of Buildings, Premises and Facilities Required for the Organization of Border, Customs and other Types of Control Carried Out Checkpoints Through the State Border of the Russian Federation.”

appropriately the functions of specialists in individual markets (sectors); facilitate control over issuing of preliminary decisions by the RF Federal Customs Service and disapprove unjustified refusals;

- 2) Take preliminary decisions on the classification of goods in accordance with FEACN per name of the goods and not per article, provided that the differences between articles do not affect the classification of goods, with a FEA participant having the right to prove that the preliminary decision is also applicable to other goods with similar classification features;
 - 3) Renew the practice of regular written explanations on classification in accordance with FEACN of individual types of goods¹ with their state registration with the Ministry of Justice of the Russian Federation and official publication, including on the basis of classification decisions and opinions of the World Customs Organization (WCO);
 - 4) Establish procedures for issuing mandatory preliminary decisions on the issues related with the methodology of determining the customs value and other customs issues, having excluded the requirements to provide unnecessary documents and data which have nothing to do with the subject of a preliminary decision in order to rule out denials in issuing such decisions on formal grounds.
5. Supplement the provisions of the EUEU's customs legislation with the institute of FEA participants' self-check with a waiver to collect any fines or apply other penalties for infringements identified by FEA participants on their own unless it is proved that such violations were committed willfully.
 6. Assign VAT charging functions – VAT is paid at importing goods – to tax authorities in order to reduce costs of importers and fiscal authorities. The recurring nature of the VAT suggests payment thereof in the amounts being equal to the difference between tax liabilities and tax deductions. At the first stage, the assignment of the “import” VAT charging function to the tax authorities can be limited to cases of existence of general (comprehensive) guarantees of payment of the required amounts and (or) collection of additional VAT amounts accrued on the basis of outputs of the audit after the release of goods and not at customs declaration of goods.
 7. Grant the right to customs authorities to request the provision of security for the payment of customs duties from companies attributed to the medium and high levels of risks in cases of a quick release of goods without examination of the data defining the size of customs duties to be paid unless goods are declared by a customs representative. The size of a general guarantee is set at the level being equal to the full sum of charges and taxes and payable customs duties only in cases if such a guarantee is

¹ Order No. 886 of October 24, 2022 of the RF Federal Customs Service “On Amendment of the Explanations Approved by Order No.995 of November 17, 2021 of the RF Federal Customs Service Regarding Classification of Individual Types of Goods in Accordance with the Single Commodity Nomenclature of Foreign Economic Activity of the Eurasian Economic Union” (registered by the RF Ministry of Justice, registration No.71173 of November 28, 2022).

- applied to customs operations with goods associated with a high risk of fraud. In all other cases, the customs service is in a position to set the sum of a guarantee at a lower level as 30%, 50%, 75% or 100% of the potential due sum of customs charges and taxes by means of using the existing criteria for categorization of FEA participants.
8. Limit the number of decisions to be taken on the basis of a single customs audit or verification of documents and data (one inspection report – one decision instead of multiple single decisions on each goods declaration).
 9. Take measures to develop the institute of authorized economic operators (AEO):
 - 1) Simplify the terms of including legal entities into the AEO register by reviewing the terms of provision of financial guarantees through correlation of the size of such guarantees with the volume of transactions, with the obligation to carry out activity as AEO replaced by a general guarantee to pay customs duties in the amount equal to the relevant volume of the transactions and the risk of customs duties avoidance; this initiative will make it feasible to apply the AEO institute to SME;
 - 2) Supplement the terms of inclusion of legal entities in the AEO register with the criteria for eligibility of persons for security requirements in accordance with the supply chain security standards based on international standards, which is the basis of mutual recognition of AEO status with third parties;
 - 3) Expand simplifications granted to AEO in customs clearance of goods in accordance with the WCO guidelines set in the Framework for Standards of Security and World Trade Facilitation.
 10. Continue work on simplifying confirmation of conformity of imported goods with technical regulation requirements of the Customs Union and the labelling of goods:
 - 1) Ensure recognition of certificates of compliance (other relevant documents) issued by some foreign countries;
 - 2) Transfer the confirmation of conformity requirement from the stage of importing (controlled by the customs authorities) to the stage of entry of good to the market;
 - 3) Give up certification of goods brought into the country by importers for their own production needs proceeding from the fact that only products put into circulation need to comply with safety requirements;
 - 4) Allow labelling of goods (the mark of conformity, identification mark, consumer information) after importing at temporary storage warehouses, other customs control zones, as well as the recipient's warehouses after a conditional release of goods.
 11. Take measures aimed at the liberalization of criminal and administrative responsibility for customs offences:
 - 1) Increase the thresholds of recognition of sums of unpaid customs duties as large and particularly large-scale offenses for qualification of the

offense envisaged by Article 194 of the RF Criminal Code (Rb2 mn and Rb6 mn to Rb15 mn and Rb45 mn, respectively);

2) Establish exemption from criminal responsibility under Article 194 of the RF Criminal Code in case of voluntary repayment of the debt on customs duties (by analogy with Article 199 of the RF Criminal Code envisaging a similar rule for tax crimes);

3) Introduce sanctions in terms of a warning and (or) fixed penalty for committing administrative customs offenses which implications are not related with customs duties avoidance or a failure to comply with non-tariff barriers;

4) Establish exemption from administrative responsibility for small, minor customs offenses (for example, in respect of individual copies of goods, goods valued under euro 200 and discrepancies of up to 5% between the declared and actual weight of goods).

5.6. Russia in the WTO trade disputes¹

5.6.1. Sanctions against Russia and prospects of its participation in the WTO

For several years now, the WTO system, in particular the mechanism for resolving trade disputes, is facing a crisis. The main reasons are as follows: growth of protectionism, trade wars, the COVID-19 pandemic, systemic problems, primarily, freezing of the Appellate Body (AB). According to the U.S., the AB exceeds authority, sometimes making decisions outside of the WTO law, which creates rights or obligations for member states that are not provided for in the existing WTO agreements, violating time limits for consideration of appeals. Many WTO member states agree on the need for reforms.²

After the start of the SMO at the end of February 2022, a number of countries (primarily the EU and the U.S.) began to impose unprecedented trade and economic sanctions against Russia. Countries began to suspend most-favored-nation treatment (MFN) with regard to Russia, contradicting the basic WTO principle of non-discrimination, discussing its exclusion from the WTO, i.e. suspending Russia's membership rights contrary to WTO rules, which do not envisage such actions. Attempts to isolate Russia from WTO negotiation and regular activities result in the paralysis of the main WTO functions, that is, providing a platform for trade negotiations and the administration of trade agreements. Such an attempt to block the negotiation process for political reasons looks more like a pretext for hiding their inability or unwillingness to seek compromise on substantive issues through negotiations. Statements by representatives of some WTO members

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2 See more info.: URL: <https://www.iep.ru/ru/publikatcii/publication/rossiyskaya-ekonomika-v-2020-godu-tendentsii-i-perspektivy-vypusk-42.html>

show a clear intention to bring the issue of territoriality into the WTO framework, which has historically avoided it.¹

In mid-March 2022, the Russian Federation circulated a message to WTO members², drawing their attention to the dangers hanging over the multilateral trading system due to aggressive and politically motivated actions of some members in restricting trade. Instead of promoting gradual normalization of international trade required for economic recovery from the COVID-19 pandemic, these members are implementing unilateral trade measures designed to undermine the economies of Russia and its neighbors. Recently, the scale of the economic war has reached a tipping point, damaging virtually every country in the world. For example, issues of food security and hunger in the least developed and developing countries, energy crises, etc. are particularly sensitive. This could have been avoided if these countries did not violate the basic rules of the WTO. The above communication says that the following anti-Russian measures clearly contradict the provisions of the General Agreement on Tariffs and Trade (GATT) 1994 and the General Agreement on Trade in Services (GATS):

- introduction of import tariffs above MFN rates;
- a ban on imports of Russian oil and refined products and intentions to limit imports of other energy resources such as natural gas and coal;
- restrictions on exports to Russia of various goods, including oil refining equipment and technology, foods and industrial consumer goods;
- blocking Russian financial institutions and transportation companies;
- a ban on the new investment in Russia, including in the Russian energy sector;
- strict exports control / complete ban on trade in certain goods and technologies critical to the economic development.

Due to large-scale trade sanctions imposed against Russia discriminating Russian companies in foreign markets, prospects of Russia's participation in the WTO, possible violations of plurilateral trade rules by WTO members, potential withdrawal of Russia from the organization are widely discussed.³ Some Russian experts and politicians suggest that Russia should voluntarily withdraw from the WTO, while others believe that this is what the countries imposing sanctions against Russia are trying to achieve.⁴

Any WTO member under Article XV ("Withdrawal") of the Marrakesh Agreement (Agreement Establishing the WTO) can withdraw from the organization. To do so, a country must give a written notice of withdrawal to the Director-General of the WTO, which will take effect six months after it is received. Such withdrawal applies not only to the WTO Establishing Agreement but also to other WTO agreements. Withdrawal from a Restricted Trade Agreement is governed by the provisions of such an Agreement. In order to exclude a country from the WTO, it is

1 URL: https://wto.ru/news/rasprostraneno-soobshchenie-rossiyskoy-federatsii-v-ramkakh-vto/?bitrix_include_areas=N

2 Ibid.

3 URL: <https://pravo.ru/story/239997/>

4 URL: <https://www.rbc.ru/rbcfreenews/6238870a9a79476f887f02ee>

necessary to hold two votes among all WTO members (164 members) and receive two-thirds of the votes in one vote and three-fourths in the other.¹

Some supporters of Russia's withdrawal from the WTO appeal to the high fees for participation in the organization. However, Russia's WTO membership fees are not that high: in 2021, Russia's fee was Euro 3.4 mn. For comparison: membership in the United Nations costs Russia about \$140 mn.²

A number of experts' arguments for Russia's participation in the WTO and suggestions for the Russian position can be highlighted³:

- there will be more restrictions against Russia without the WTO. The terms of trade with those countries that Russia has no political contradictions will become more complicated. Most WTO members have not imposed sanctions against Russia;
- the WTO is an important tool to support Russian exports, and leaving the organization would create risks for businesses and people;
- there will be no tools to removing barriers on the platform of the WTO working bodies;
- there will be no access to the development of new rules for international trade;
- there will be no tools to settle the WTO trade disputes;
- If Russia withdraws from the WTO, it will be extremely difficult to rejoin the organization, because Russia will be presented with completely different, most likely more stringent, requirements;
- WTO principles are largely integrated into the EAEU and Russia's withdrawal from the WTO will complicate trade relations with other EAEU member countries (Belarus, Kazakhstan, Armenia and Kyrgyzstan).

At the 12th WTO Ministerial Conference, the head of the Russian delegation, Deputy Minister of Economic Development V. Ilyichev noted that unilateral politically motivated trade restrictions pose a real threat to the WTO. He believes that major challenges of the multilateral trade system at the moment are unilateralism, sophisticated forms of protectionism and fragmentation into trade blocs. Unilateral restrictive measures also have a negative effect on the economies of countries not involved in the conflict. Among the most problematic issues for Russia are the following⁴:

- unilateral unlawful sanctions since 2014;
- illegal methods of calculating dumping margins;
- appeals of disputes won (including by Russia) "to nothing";
- unilateral tariffs imposed on one or a group of WTO members.

Russia is interested in maintaining the multilateral format of negotiations and in strengthening commitments and compliance with existing obligations in accordance with WTO norms and rules. It is necessary to restore full-fledged work of the Dispute Settlement Body (DSB) and implementation of Russia's tasks in

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2022/07/Monitoring_82.pdf

2 Ibid.

3 Ibid.

4 Ibid.

current disputes with its participation, as well as in other disputed trade practices. It is important to be able to attract attention and organize discussion with a wide range of participants on the development and practical application by the U.S. and the EU specific approaches to counteracting subsidies to third countries, as well as methodologies for calculating and applying internal market protective measures. Ensuring transparency also remains an important Russian initiative.

It is inevitable to improve the regime of notifications to the WTO, including the exchange of experience, providing comprehensive assistance to developing countries. Other important aspects of Russia's participation in the WTO relate to sustainable development in the WTO (involving Russia in discussions to prevent unreasonable trade barriers in this area) and electronic commerce (the need for establishing rules of regulation accounting the opportunities and risks of digital economy and trade for all member countries, both developed and developing).

Amid global economic crises and pandemics, trade presents fundamental stabilizing importance, and therefore, emergency rules are needed. WTO rules on sanctions should be revised formalizing the concept of emergencies and introducing restrictions on the use of sanctions measures.¹

In April 2022, the President of Russia instructed the government to prepare an updated strategy of Russia's actions in the WTO amid the restrictions imposed by a number of Western countries on Russian exports,² in particular, to assess the legality of sanctions against the metallurgical industry. The Ministry of Economic Development has prepared and submitted to the government a draft of the updated strategy of Russia's actions in the WTO, stating the rationale for Russia to stay in the WTO and use the whole set of instruments of the organization to protect trade interests.³

In addition to assessing the legitimacy of sanctions against the metallurgical industry, it is important to properly estimate sanctions in the energy, financial, aviation, and fertilizer sectors.

The mechanism for suspending MFNs with respect to a particular country is controversial. The Marrakesh Agreement has no provisions allowing for such measures. However, other WTO agreements, such as GATT, allow imposition of certain restrictions referring to Article XXI ("Security exceptions") when there is an emergency and a significant threat to national security.

The main problem is that defendants refer to these provisions and a question arises regarding the enforcement and interpretation of the Article provisions in relation to each specific situation.

Nevertheless, it seems reasonable, for example, to develop a complaint against the EU and the U.S. to the WTO regarding the ban on selling aircrafts, spare parts and equipment, insurance and maintenance services to Russian airlines and the violation of leasing companies' obligations. One of the arguments could be that these bans affect the safety of Russian airlines.

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2022/07/Monitoring_82.pdf

2 URL: <https://www.rbc.ru/politics/20/04/2022/62601c189a79472a3b0649da>

3 URL: <https://wto.ru/news/minekonomrazvitiya-schitaet-chto-rossiya-dolzhdna-ostavatsya-v-vto/>

Another controversial issue is the ban on transit of sanctioned goods through Lithuania from Russia to the Kaliningrad region. In the event of a dispute against Russia over the ban on transit of sanctioned goods through Lithuania to the Kaliningrad region, the EU may also resort to this article. The DSB sided with Russia in a dispute over restrictions on transit of goods from Ukraine through Russia to third countries (Central/Eastern Asia and the Caucasus) initiated by Ukraine in 2016 (DS512). However, the difference is that Russia banned transit for international trade, while Lithuania banned it from one Russian region to another. Finally, in July 2022, the European Commission banned road transport of subsanctioned goods through its territory from Russia to Kaliningrad, but this regime did not apply to rail transport.¹

5.6.2. The WTO trade dispute settlement mechanism

August 22, 2022 marks the 10th anniversary of Russia's accession to the World Trade Organization, including the WTO trade dispute settlement mechanism. This mechanism operates under the Understanding on Rules and Procedures Governing the Settlement of Disputes (URPGSD).² Since August 2012, Russia is authorized to protect its trade interests through this instrument. The WTO dispute settlement procedure consists of five main successive stages³:

- 1) *bilateral consultations* (within 60 days of the request for consultation);
- 2) *setting up an arbitration panel (AP)* at the request of any disputing party and selection of its members to consider the point of the dispute (45 days from the date of the request to create an AP);
- 3) *arbitration panel proceedings* (6–9 months from the start of the AP) and acceptance of the panel report by the dispute resolution body and recommendations of the DSB (approximately 60 days from the date of submission of the panel report);
- 4) *consideration of a dispute by the Appellate Body (AB)* if at least one party has filed an appeal (60–90 days from the date of filing an appeal), adoption of the report of the DSB Appellate Body and informing parties of the DSB recommendations (30 days from the date of submission of the AB report);
- 5) *DSB control* over fulfillment of recommendations (not exceeding 15–18 months from the date of adoption of the DSB report by AP or AB).

5.6.3. WTO trade disputes involving Russia

By the end of 2022, Russia has been and is involved in 116 WTO disputes: in 8 cases as plaintiff, in 11 cases as defendant (*Table 13*), and in 97 cases as a third party. In 2022, Russia did not initiate any disputes. The EU initiated a dispute against Russia in the role of a defendant on the issue of export restrictions on wood products (DS608).

1 URL: <https://www.rbc.ru/politics/13/07/2022/62cecbfa9a79479d807eb34b>.

2 URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

3 URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

According to the WTO at the 2022 yearend, Russia joined one dispute in 2022 as a third party, showing the lowest indicator for all the years of Russia's participation in the WTO (for 2012–2022 on average, Russia has joined ten trade disputes a year in the role of a third party).

Russia joined the largest number of disputes in 2018, when protectionist tendencies became visible globally. Some of the disputes where Russia acts as a third party have already ended, and in a number of instances Russia has benefited (directly or indirectly) from its participation in such disputes.

Table 13

WTO trade disputes involving Russia as a major party to the dispute (plaintiff or defendant)¹

Dispute	Essence of the claim	Current stage (as of 2022 yearend)
<i>As a plaintiff</i>		
<i>DS474</i> : EU – Methodology of cost-adjustment and certain anti-dumping measures for imports from Russia (23.12.2013) ²	Energy adjustments in anti-dumping investigations to calculate dumping margins (EU ignored information on costs and prices from Russian producers and exporters). EU conducted end-of-dumping inspections without sufficient data on continuation of dumping and injury	Approval of AP members (22.07.2014). The dispute actually turned into another dispute – see second lawsuit (DS494)
<i>DS476</i> : EU – Certain measures affecting the energy sector (30.04.2014)	The third EU Energy Package: gas production companies cannot be the owners of trunk pipelines located in the EU. Operating companies under the control of foreigners must undergo a special certification procedure.	AB activities (21.09.2018). Actually, AB activities have been frozen
<i>DS493</i> : Ukraine – Anti-dumping measures in relation to ammonium nitrate (07.05.2015)	When conducting anti-dumping investigations on ammonium nitrate, Ukraine did not take into account electricity prices in Russia provided by producers, but focused on prices from third countries (energy adjustments) when calculating the cost of production.	The defendant fulfilled DSB recommendations (repeal of measures) (21.09.2020)
<i>DS494</i> : EU – Methodology of cost-adjustment and certain anti-dumping measures for imports from Russia (07.05.2015)	In anti-dumping investigations related to welded pipes and ammonium nitrate from Russia, the EU did not take into account information on costs and prices from producers and exporters to calculate the dumping margin, but focused on prices from third countries (energy adjustments)	AB activities (28.08.2020). Actually, AB activities have been frozen
<i>DS521</i> : EU – Anti-dumping measures on cold-rolled steel from Russia (27.01.2017)	In anti-dumping investigations, information provided by Russian producers is not taken into account by the EU, but is replaced by unsubstantiated data and incorrect calculations	Suspension of AP activities (18.03.2022)

1 URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

2 The date of request for consultation is indicated in the brackets.

Dispute	Essence of the claim	Current stage (as of 2022 yearend)
<i>DS525</i> : Ukraine – Measures restricting trade of goods and services and the transit (19.05.2017)	Comprehensive lawsuit over Ukrainian measures restricting trade in goods and services from Russia	Consultations (19.05.2017)
<i>DS554</i> : U.S. – Special protective measures for steel and aluminium products (29.06.2018)	Russia believes that the U.S. imposed protective measures on steel and aluminum products in spring 2018 in violation of GATT 1994 and the Agreement on Special Safeguards, i.e. granted certain countries privileges and exemptions that did not apply to other countries, imposed import restrictions beyond duties, taxes or other charges through quotas, failed to justify the imposition of emergency measures, failed to send a prompt written notice, failed to allow consultations.	AP activities (25.01.2019). AP report is expected no sooner than in Q4 2022
<i>DS586</i> : Russia – Anti-dumping measures against Russian hot-rolled flat products of carbon steel (U.S. 05.07.2019)	Russia believes that the U.S. failed to correctly calculate the fair cost and dumping margin for all known exporters and producers and the costs of producing the goods in question; failed to properly demonstrate the need for further application of measures, did not terminate, but expanded measures; refused to rely on information from Russian exporters.	Consultations (05.07.2019)
<i>As a defendant</i>		
<i>DS462</i> : Russia – Recycling fee on transport vehicles (EC, 09.07.2013)	Additional payments (recycling fee) on imported vehicles, while domestic vehicles exempt from paying under certain conditions. When calculating the fee, there is too much difference in the amount of the fee for new and used cars.	Approval of AP members (25.11.2013). Dispute is inactive
<i>DS463</i> : Russia – recycling fee on transport vehicles (Japan, 24.07.2013)	Additional payments (recycling fee) on imported vehicles, while domestic vehicles exempt from paying under certain conditions.	Consultations (24.07.2013). Dispute is inactive
<i>DS475</i> : Russia – Measures affecting imports of live pigs, pork and other pork products (EU, 08.04.2014)	Ban on imports of live pigs, pork and pork products from the EU is a disproportionate measure, since there have been several minor cases of ASF infection of wild boars near the borders with Belarus-Russia, which were promptly localized. The EU disputes how Russia is regionalizing its territory.	Dispute suspended. (28.01.2020). The AP suspended activities after inspecting fulfillment of DSB recommendations at the request of the EU; its powers have expired 28.01.2021
<i>DS479</i> : Russia – anti-dumping duties on light commercial vehicles from Germany and Italy (EU, 21.05.2014)	The procedure of anti-dumping investigations conducted by Russia and determination of dumping margins on light commercial vehicles contradicts the WTO rules in establishing the fact of dumping and injury, evidence, determination of the branch, public notice and explanation of decisions	Defendant fulfilled the DSB recommendations (repeal of measures) (20.06.2018)
<i>DS485</i> : Russia – calculation of import duties on certain agricultural and industrial goods (EU, 31.10.2014)	Russia applies a duty of 15% or 10% for paper and cardboard exceeding the bound level of 5%. For a number of other goods, when the customs value is below a certain level, duties are levied above the bound level	Defendant fulfilled the DSB recommendations (08.06.2017). AP rejected accusations of systemic violations of Russia's WTO commitments on import tariffs.

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Dispute	Essence of the claim	Current stage (as of 2022 yearend)
DS499: Russia – measures restricting imports of railroad equipment and its parts (Ukraine, 21.10.2015)	Russia suspends certificates of conformity confirmation issued to manufacturers of track parts and rolling stock until introduction of new technical regulations and rejects applications for new certificates	Defendant fulfilled the DSB recommendations (05.03.2020) Ukraine requested clarification from Russia regarding requirements that Ukrainian suppliers must meet in order to obtain a certificate of conformity (23.03.2020)
DS512: Russia – measures restricting transit (Ukraine, 14.09.2016)	International transit road and rail transportation of goods from the territory of Ukraine to Kazakhstan or Kyrgyzstan through the Russian Federation should be organized only through Belarus under certain conditions. Ban on transit of goods for which tariff rates are not zeroed and those under embargo	Reports accepted and no further actions required (26.04.2019)
DS532: Russia – measures restricting imports and transit of some Ukrainian goods (Ukraine, 13.10.2017)	Russia introduced measures to restrict imports and transit through Russia to third countries of juices, beer, confectionery and wallpaper of Ukrainian origin. Exports of such Ukrainian products to Russia decreased significantly, for some positions down to zero	Consultations (13.10.2017)
DS566: Russia – rise in import tariffs on a number of U.S. manufactured goods (CША, 27.08.2017)	Since August 2018, Russia raised import duties on certain types of vehicles for cargo transportation, road construction equipment, oil and gas equipment, tools for metal processing and rock drilling and fiber optics (25%, 30% and 40% depending on the product). The U.S. believe that these measures violate GATT 1994, because Russia does not impose such duties on similar goods from other countries, members of the WTO, and gives the U.S. less favorable treatment	AP activities (25.01.2019). AP report is expected no sooner than in H2 2022
DS604: Russia – some measures with regard to domestic and foreign goods and services (EU, 22.02.2021)	The EU disputes measures of Russia's import-substitution policy applied to nongovernmental procurement of state-owned enterprises with reference to the provisions of GATT, GATS, the Protocol on Russia's Accession to the WTO and the Report of the Working Group on Russia's Accession to the WTO: – pricing preferences; – preliminary permits; – minimal quotas	AP activities suspended (08.03.2022)
DS608: Russia – measures with regard to exports of wood products (EU, 20.01.2022)	In the WTO, Russia committed to apply export duties at rates no higher than 13% or 15% for certain volumes of exports, however, Russia applies export duties at a higher rate of 80%. Russia reduced the number of border crossings aimed for exports of a number of wood products to the EU from more than 30 to 1. The EU believes that Russia is in violation of GATT 1994 and the Protocol on Accession. The EU added to its request the imposition of export restrictions or bans on certain timber products by the Eurasian Economic Union	Consultations (20.01.2022)

Source: own calculations based on the WTO official website: URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

Changes in 2022 on WTO trade disputes involving Russia as a plaintiff

DS521: EU – Anti-dumping measures on cold-rolled steel from Russia (Russia)

On January 27, 2017, Russia asked the WTO to consult with the EU on anti-dumping measures against Russian cold-rolled steel.¹ Exports of disputed goods from Russia to the EU in 2016 dropped by 84% compared to 2015; the share of Russian exports in total exports of these goods dropped from 46% in 2015 to 10% in 2016.² Anti-dumping duties are as follows: for Severstal – 34%, for OAO MMC – 18.7%, for PJSC NLMK group and others – 36.1%. The dispute is an example of Russia’s challenging the practice of “energy adjustments” used in anti-dumping investigations, when information from Russian producers is replaced by data from third countries even if the EU recognized Russia’s status as a market economy. On March 13, 2019, Russia asked the DSB to set up an AP, and it was set up on April 26, 2019. Some countries that joined as third countries, support the plaintiff’s position, while others (Ukraine was involved in a similar dispute with Russia, won by Russia in late September 2019 (DS493)) and it supported the defendant’s position.³

On March 28, 2022 the DSB granted the request of the Russian Federation of March 18, 2022 to suspend the work of AP in accordance with Article 12.12 (“Panel Procedures”) of the URPGSD for an indefinite period (the EU did not object). If the work of the AP has been suspended for more than 12 months, the authority to establish the AP expires, and the parties have time until March 28, 2023 to resume the work of AP.

Changes in 2022 on WTO trade disputes involving Russia as a defendant

*DS604: Russia – Certain measures related to domestic and foreign goods and services (EU)*⁴

On July 22, 2021, the EU asked the WTO to consult with Russia on measures that lead to discrimination by Russian state-owned companies against foreign suppliers.⁵ The EU challenges Russia’s measures, which relate to nongovernmental procurement by a wide range of government-related entities that are not government agencies (including state-owned enterprises and state trading businesses):

- price preferences for domestic goods and services in the procurement of a wide range of entities associated with the state, including state-owned enterprises;
- obtaining non-automatic prior approval from the Russian state commission on import substitution by Russian companies wishing to buy specific mechanical engineering products;

1 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds521_e.htm

2 Database UN COMTRADE. URL: <http://comtrade.un.org/>

3 URL: <https://www.iep.ru/files/text/trends/2019/04.pdf>

4 URL: https://www.vavt-imef.ru/wp-content/uploads/2021/10/Monitoring_74.pdf

5 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds604_e.htm

- minimum quotas for domestic products in the procurement of state-owned enterprises, including trade and other enterprises related to the state.

Since 2015, Russia has been gradually expanding its import substitution policy, which, among other things, is aimed at reducing the share of foreign goods and services in procurements by state organizations and in investment projects with state support. In Russia in 2019, the value of published tenders by state-owned enterprises amounted to Rb23.5 trillion (about Euro290 bn), which is equivalent to about 21% of Russia's GDP.¹ The main legal acts regulating import substitution in the field of procurement are the Federal Law of 18.07.2011 No. 223-FZ "On procurement of goods, works and services by individual legal entities" and the Federal Law of 31.12.2014 No. 488-FZ "On Industrial Policy of the Russian Federation." Russia is not a member of the WTO Agreement on Government Procurement (GPA), but has been an observer since 2013 and is negotiating accession to the agreement. The GPA does not apply to the procurement of goods and services for the purpose of commercial sale/resale and for use in the production of goods and services for the same purpose.

The Ministry of economic development² and the experts, including RANEPА, note the legality of disputed Russian measures and the fact that Russia can invoke the need to ensure national security in terms of vital industries, while the consequences of the dispute bear reputational risks.³ If the decision is not in favor of Russia, additional retaliatory measures are possible.

The policy of the EU and some other countries, including the U.S., is largely aimed at reducing the role of the state in the economy of individual countries, primarily Russia and China. The issues of market economies, including anti-dumping investigations; pricing in various domestic markets, for example, for commodities in Russia can be highlighted; the provision of subsidies, strictly regulated by the WTO, etc. In November 2022, the U.S. recognized Russia's economy as a non-market economy due to the increased role of the state. The U.S. will not consider Russia anymore as a market economy in its investigations on the introduction of protective measures (anti-dumping and compensatory).⁴ As of the end of 2022, 8 anti-dumping and 5 compensatory measures against Russian companies of metallurgical and chemical industries, as well as 3 special protective measures (in respect of steel, aluminum and photovoltaic elements) have been imposed by the U.S. Protective duties imposed by the U.S. against Russian exporters are often restrictive, reaching sometimes 800.0%. According to RANEPА estimates of effective U.S. anti-dumping duties on Russian products in 2014–2020, the application of protective measures, primarily anti-dumping measures, reduced Russian exports to the U.S. by an average of 14.4% in the commodity group. The U.S. recognition of Russia as a non-market economy allows the U.S. to use data on

1 URL: <https://wto.ru/news/es-initsiiroval-spor-v-vto-iz-za-diskriminatsii-goskompaniyami-rf-inostrannykh-postavshchikov/>

2 URL: <https://wto.ru/news/v-mer-zayavili-o-gotovnosti-rossii-provesti-konsultatsii-s-es-posporu-o-goszakupkakh>

3 URL: <https://rg.ru/2021/07/20/chem-groziat-rossii-pretenzii-evrosoiuzua.html>

4 URL: <https://iz.ru/1423862/2022-11-11/ministerstvo-torgovli-ssha-priznalo-ekonomiku-rossii-nerynochnoi>

costs from third countries instead of considering the actual costs of producers in the domestic Russian market.¹

On November 17, 2021, the EU submitted a request to the DSB to set up the AP and it was set up on December 20. On February 22, 2022, AP started working, however, on March 8, 2022, it interrupted their activities on the EU request in accordance with Article 12.12 (“Panel Procedures”) of the URPGSD for an indefinite period, and the parties have time until March 8, 2023 to resume this dispute.

DS608: Russia – Measures with regard to exports of wood products (EU)

On January 20, 2022, the EU submitted a request to the WTO for consultations with Russia on export restrictions related to wood products (DS608).² In the WTO, Russia undertook to apply export duties at rates no higher than 13% or 15% for certain export volumes of some unprocessed timber products (tariff quotas), as well as for planned export volumes to the EU. By abolishing these tariff quotas, Russia began to apply export duties at a higher rate of 80%, which, according to the EU, violates its obligations under WTO law. Moreover, Russia has reduced the number of border crossings for certain wood products to be exported to the EU from more than 30 to 1 (Luttia, Finland). The EU added to the request the introduction of export restrictions or bans on certain timber by the Eurasian Economic Union.³

On September 30, 2020, the President of the Russian Federation instructed the government to completely prohibit the export of unprocessed or roughly processed coniferous and valuable hardwoods from January 1, 2022 and to prepare a legislative base to prevent the uncontrolled export of unprocessed wood.⁴ Russia terminated application of the tariff quotas on some timber materials from January 1, 2022: the RF Government Decree No. 39677 repealed the Government Decree No. 779 from January 1, 2022. A significant part of the tariff quotas was previously to be allocated for exports to the EU. After termination of these tariff quotas, the export duties applied by the Russian Federation to the products in question constitute “80% of the customs value, but not less than Euro55.2 per 1 cubic meter” in accordance with the non-quota tariff rates.

The EU believes that termination of tariff quotas on exports of certain timber products seems incompatible with Russia’s obligations, in particular with Article II:1(a) (“Schedules of Concessions”) of GATT 1994, as Russia gives the EU less favorable treatment with respect to trade in certain timber products compared to Russia’s obligations; with clause 2 of the Protocol on Russia’s Accession to the WTO linked to par. 638 and 1450 of the Report of the Working Group on Russia’s Accession to the WTO, as Russia does not exempt certain timber products under tariff position 4403 from export duties in excess of those related to Russia’s accession to the WTO, Russia does not comply with its tariff concessions

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2023/02/Monitoring_88.pdf

2 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds608_e.htm

3 URL: https://ec.europa.eu/commission/presscorner/detail/en/IP_22_410

4 URL: <https://tass.com/economy/1206747>

and obligations and does not apply export duties in accordance with the WTO agreements.

Reducing the number of border crossings for the export of some timber seems to the EU to be incompatible with Russia's WTO commitments, in particular, with:

- Article XI:1 (“General Elimination of Quantitative Restrictions”) GATT 1994, as Russia has imposed and maintains the restrictions, other than duties, taxes or other charges, on the export of certain wood products intended for the EU and other WTO countries;
- Article XIII:1 (“Non-discriminatory Administration of Quantitative Restrictions”) GATT 1994, as Russia applies export restrictions on certain wood products intended for the EU and other WTO countries, while similarly Russia does not restrict exports of similar goods to all third countries;
- Article I:1 (“General Most-Favored-Nation Treatment”) GATT 1994, as Russia does not grant any preference, benefit, privilege or immunity in relation to rules and formalities associated with exports, granted by Russia immediately and implicitly to goods destined for another country to similar goods destined for the EU and other countries;
- Clause 2 of the Protocol on Russia's Accession to the WTO linked to par. 668 and 1450 of the Working Group Report on Russia's Accession to the WTO, as Russia applies quantitative export restrictions or export sales restrictions to certain timber or measures which equivalent effect cannot be justified by the provisions of WTO agreements.

As of the yearend 2022, the dispute is in the consultation phase.

Trade disputes involving Russia as a third party

On average over the past 10 years of its membership in the WTO Russia has joined approximately 10 disputes per year. Most often Russia joins the disputes on measures affecting agricultural and food products, metallurgy, automobile and aircraft industry, chemical industry, timber and wood products, renewable energy sources (RES). As for the agreements covering disputes to which Russia joined as a third party (one dispute usually covers several agreements), *Table 14* and *Fig. 2* present the corresponding distribution of topics as of the end of 2022. Most of the disputes are related to GATT, as well as to the Agreements on Antidumping and Subsidies and Countervailing Measures. Besides, Russia is also interested in violations of the Agreement on Special Protective Measures and the Agreement Establishing the WTO.

Table 14

WTO disputes involving Russia as a third party*

Theme	Disputes
1. Import bans or restrictions (for environmental or other reasons), including rules of origin	<i>DS400, DS401, DS469, DS484, DS495, DS524, DS531, DS537, DS576, DS589, DS597, DS600</i>

Theme	Disputes
2. Protective investigations and measures (anti-dumping, countervailing and special protective measures)	<i>DS414, DS437, DS449, DS454, DS460; DS468, DS471, DS473, DS480, DS488, DS490, DS496, DS513, DS516, DS518, DS523, DS529, DS533, DS534, DS536, DS538, DS539, DS544, DS545, DS546, DS547, DS548, DS550, DS551, DS552, DS553, DS556, DS562, DS564, DS573, DS577, DS578, DS591, DS595, DS598, DS601; DS602; DS603; DS605</i>
3. Export restrictions	<i>DS431, DS432, DS433, DS508, DS509, DS541, DS590, DS592</i>
4. Intellectual property rights	<i>DS441, DS458, DS467, DS526, DS542, DS567</i>
5. Subsidies (including tax and other privileges) and localization requirements	<i>DS456, DS472, DS487, DS497, DS489, DS502, DS510, DS511, DS522, DS579, DS580, DS581, DS583, DS593, DS592</i>
6. Tariffs and tariff quotas	<i>DS492, DS517, DS557, DS558, DS559, DS560, DS543, DS561, DS566, DS582, DS584, DS585, DS588</i>
7. Trade and economic sanctions	<i>DS526</i>

* Updated table. Ref.: URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

Source: based on: *M.A.Baeva*. Trade disputes within WTO involving Russia and a mechanism for their settlement // Russian Foreign Trade Bulletin. 2015. No. 3. p. 75–90.

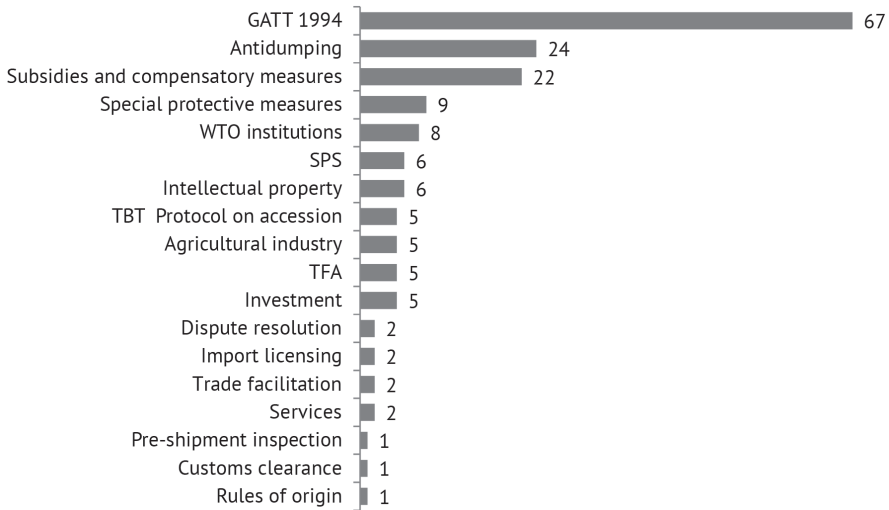


Fig. 2. Themes of the WTO Dispute Agreements involving Russia as a third party, as of the end of 2022

Source: own calculations based on the WTO official website: URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

In 2022, Russia joined only one dispute as a third party – DS603.

DS603: Australia – antidumping and countervailing duties for certain goods from China (China)

In 2021, China submitted a request to the WTO for consultations with Australia on anti-dumping and countervailing measures against imports of certain goods of Chinese origin, particularly wind towers, deep-drawn stainless steel sinks and railway wheels (DS603). According to China, these measures violate:

- Article 2 (“Determination of Dumping”) and Article 9.3 (“Imposition and collection of Anti-Dumping Duties”) of the Anti-Dumping Agreement, because Australia did not calculate costs based on the records kept by exporters or producers involved in the dispute; incorrectly determined the cost of production; did not use the cost of production in the country of origin in constructing fair value; in calculating fair value included costs not related to the production and sale of the product in question; did not make a fair comparison between the export price and the normal cost and did not make proper adjustments for differences affecting price comparability; did not properly determine the profit amounts; the amount of anti-dumping duty charged by Australia exceeds the dumping margin set forth in this Article;
- Article VI:1 and VI:2 (“Anti-Dumping and Countervailing duties”) GATT 1994, because Australian anti-dumping and countervailing measures negate or impair, directly or indirectly, the benefits accruing to China;
- Article. 1.1(a), 1.1(b) (“Definition of a Subsidy”), Article 2.1(c) (“Specificity”), Articles 11.1, 11.2, 11.3 (“Initiation and Subsequent Investigation”) and Article 14(d) (“Calculation of the Amount of a Subsidy in Terms of the Benefit to the Recipient”) of the Agreement on Subsidies and Countervailing Measures, because Australia incorrectly determined or did not have a sufficient basis for determining financial assistance; improperly stated that the purported provision of goods for less than adequate consideration provided a benefit to the recipient, and improperly calculated the amount of any benefit, allegedly citing, inter alia, its erroneous conclusions that prevailing market conditions in China were “distorted,” as a basis for rejecting actual transaction prices in China as a benchmark; did not make a proper determination based on positive evidence that the alleged provision of imported goods for less than adequate consideration was specific to an enterprise, industry, or group of enterprises/industries; Australia initiated a compensatory investigation into the alleged provision of resources for less than adequate remuneration in the absence of sufficient evidence in the application to determine financial co-operation and in the absence of sufficient consideration of the application; Australia initiated a countervailing investigation into the alleged provision of resources for less than adequate remuneration in the absence of sufficient evidence in the application to support the claim that any such subsidy would be

specific under Article 2.1(c) of Agreement on Subsidies and Countervailing Measures and in the absence of sufficient consideration of the application.

Consultation between China and Australia held in 2021 did not resolve the dispute, and in January 2022 China submitted a request for establishing the AP and it was established on February 28, 2022, and members approved on September 5, 2022. Russia and a number of other countries joined the dispute as third countries. On April 28, 2022, Australia and China informed the DSB that they have agreed upon arbitration procedures in accordance with Article 25 (“Arbitration”) of the URPGSD in this dispute. These procedures were introduced by Australia and China aimed to implement the Multiparty Interim Appeal Arbitration Arrangement (MPIA) in accordance with Article 25 of the URPGSD aimed to establish the basis for decision to be made by the Arbiter on appeals against any final report of the AP, submitted on this particular dispute, if the AP fails to hear the appeal in accordance with Article 16.4 (“Adoption of Panel Reports”) and Article 17 (“Appellate Review”) by the URPGSD.

Russia’s interest is primarily due to its participation in disputes over anti-dumping and countervailing measures and investigations and application of subsidies, since the issues of non-market economy are becoming increasingly relevant not only for China, but also for Russia (disputes over “energy adjustments” with the EU, revocation of the market status of the Russian economy by the U.S.).

