The World Bank – Russian Federation Partnership: Country Program Snapshot

April 2016
RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth

For the Russian economy, 2015 was mainly a year of adjustment to the combined impact of the international sanctions regime imposed in July 2014 and the collapse of global oil prices later that year. These twin shocks sharply decreased gross domestic income and depressed both consumer and investment demand. A second drop in global oil prices in August 2015 delayed the anticipated economic recovery, causing Russia’s real GDP to contract by an estimated 3.7 percent in 2015.

As a result of the difficult economic adjustment, Russia’s economy went through a deep recession, which peaked in the second quarter of 2015. The contraction in seasonally adjusted quarterly GDP accelerated from 0.7 percent in the last quarter of 2014 to -1.2 and -1.3 percent in the first and second quarters of 2015, respectively (figure 1). Expectations that Russia’s economy would bottom out in the third quarter of 2015 did not materialize. By the end of the year, Russia’s economy had contracted for six consecutive quarters, with the contraction only moderating slightly in the third quarter and fourth quarters.

Figure 1: Quarterly GDP Growth, y-o-y and q-o-q, sa, percent

The adjustment to the worsening external environment happened through a sharp income drop, sapping consumer demand and discouraging investment. Persistently low oil prices resulted in a steep depreciation of the ruble. The free-floating exchange rate enabled imports to rapidly adjust, with a 25.7 percent decline in import volumes boosting net exports in 2015 (figure 2), yet the ruble’s depreciation also led to double-digit inflation. The consequent decline in household purchasing power reduced household consumption by 9.6 percent in 2015, its first contraction since the global financial crisis in 2008. The authorities’ efforts to manage inflationary pressures slowed the pace of monetary easing, and the central bank has kept its key policy rates at 11 percent since August 2015. Meanwhile, the international sanctions have been extended, limiting access to global financial markets, restricting capital inflows, and damaging investor confidence. High capital costs and plummeting consumer demand provided firms with little incentive to invest in expanding production, and as a result, gross capital formation dropped by 18.7 percent in 2015, contracting for a third consecutive year.

Figure 2: Demand Composition of GDP Growth, percent

Although the contraction of economic activity in 2015 was across sectors, some industries took advantage of the weaker ruble and increased output and exports. Relative prices now favor Russian firms, and export performance improved in some non-energy commodity sectors such as coal, metals, and chemicals. Agriculture is one sector that took advantage of food import restrictions and localized production, expanding by 3.1 percent in 2015. National accounts statistics reveal that some industries increased their output, but most manufacturers—who might normally be well positioned to benefit from import substitution—continued to see demand for their products fall. Overall, the depreciation’s positive impact on the production of tradable goods was unable to compensate for the collapse of domestic demand.
Outlook

The Russian economy is projected to follow a prolonged road to recovery. The conditions that pushed Russia’s economy into recession show slow signs of abating, and the World Bank’s current baseline scenario anticipates another year of negative growth at 1.9 percent in 2016 (figure 3). Beginning in 2017, GDP growth is projected to return to a positive, albeit modest, growth rate of around 1–2 percent per year. Oil prices are projected to average just US$37 per barrel in 2016, close to their 2015 average, before rebounding to around US$50 per barrel in 2017 and beyond. Commodity prices in general, and oil prices in particular, will continue to dominate Russia’s medium-term outlook, and in addition to the baseline, these projections include both a lower- and an upper-bound oil-price scenario. Under a lower-bound scenario, the economy could contract by as much as 2.5 percent in 2016 and grow by just 0.5 percent in 2017. Conversely, a more optimistic upper-bound oil price scenario projects a contraction of 0.7 percent in 2016 followed by a stronger recovery, with growth reaching 1.7 percent in 2017.

The recession is reversing Russia’s substantial achievements in poverty reduction. In 2015, Russia’s poverty rate rose from 11.2 to 13.4 percent, as the poor population increased by 3.1 million to a total of 19.2 million. High inflation contributed to the erosion of real wages by 9.5 percent in 2015, while nonwage income sources such as pensions and other transfers were indexed below headline inflation. However, declining real wages blunted the recession’s impact on the labor market, and unemployment increased only slightly from a record low of 5.3 percent in 2014 to 5.6 percent in 2015. Nevertheless, poverty is projected to increase further under all scenarios due to a continued rise in unemployment compounded by marginal income growth, as the demands of fiscal consolidation restrict the Government’s capacity for antipoverty spending. Under the baseline scenario, the poor population is expected to increase by another 1.1 million in 2016 as the poverty rate rises to 14.2 percent. This increase would undo nearly a decade’s worth of gains and would be the largest increase since the economic crisis of 1998–99. Improved growth prospects in 2017 are expected to stabilize the poverty rate.

Weakening growth and sharply lower commodity prices have narrowed the room for Russian policy makers to respond, should risks materialize. Russia, as many other countries, has seen its policy buffers depleted in the recent period, limiting the use of countercyclical measures to support macroeconomic stability growth in a prolonged downturn. However, policies can play an important role in mitigating risks and supporting growth. A combination of cyclcal and structural policies could be mutually reinforcing. In the near term, policy actions need to be focused on building the ability to withstand global financial market turbulence and strengthening Russia’s financial sector stability. A second focus needs to be on policies, supporting a smooth fiscal adjustment that distributes the burden across the economy and promotes long-term productivity growth. Such cyclical policies need to be supplemented with structural reform measures that boost investor confidence in the short term and enhance growth prospects in the long term.

Monetary Policy and Financial Sector

In 2015, monetary policy helped to stabilize the economy by slowly reigning in inflation and supporting financial stability. The Central Bank of Russia (CBR) adhered to the flexible exchange rate regime and largely refrained from interventions. This helped improve the exchange rate alignment and supported the economic transition. As foreign exchange liquidity pressures eased in 2015, oil prices became the key determinant in the ruble’s exchange rate dynamics. In 2015, the average ruble exchange rate depreciated by 37.4 percent with respect to the U.S. dollar, while average oil prices (Brent) dropped by 47 percent. A flexible exchange rate also helped

Figure 3: Real GDP Growth, y-o-y, percent

Source: World Bank staff estimates.
the CBR to keep its foreign currency reserves intact and at the same time prevented a drain on fiscal reserves by limiting the negative impact on fiscal revenues. By the end of 2015, the CBR’s foreign currency reserves stood at about 16 months of imports (US$368.4 billion), compared to 11 months at end-2014.

Inflationary pressure remained elevated throughout 2015 due to both monetary and non-monetary factors. Monetary easing in the first half of 2015 led to a gradual relaxation of monetary conditions. At the same time, inflationary expectations remained stubbornly high. Non-monetary factors, such as the pass-through effect from the depreciating ruble, the tariff increase in July, and the restrictions on food imports, contributed to inflationary pressures in the second half of the year. As a result, inflation slowed but remained in double digits. The 12-month Consumer Price Index decreased from 15.0 percent in January 2015 to 12.9 percent in December (figure 4), exceeding the CBR’s target range of 8.2–8.7 percent projected in December 2014. In order to reduce inflationary pressure, the CBR slowed the pace of monetary easing in the second quarter of 2015 and discontinued its monetary easing cycle in August.

Figure 4: CPI Inflation Decomposition, y-o-y, percent

![Figure 4: CPI Inflation Decomposition, y-o-y, percent](image)

Source: Rosstat.

Financial sector stability will be essential to the recovery of private investment, yet financial stability in the near term will be tested by a number of factors. First, both private and public banks are likely to experience increased capitalization pressure due to the rising share of nonperforming loans (NPLs) on bank balance sheets and the expiration of temporary regulatory forbearance measures by the CBR. From January to December 2015, NPLs increased from 6.7 percent of total loans to 8.3 percent (figure 5). Banks’ profitability dropped sharply in 2015, and the recession has slowed new business growth. This increased banks’ risk aversion, and credit growth continued to slow throughout the year, dropping from 25.9 percent year-on-year (y-o-y) in December 2014 to 7.6 percent in December 2015. Second, banks are becoming increasingly reliant on CBR and government financial support, due to restrictions on access to international capital and the shallowness of domestic capital markets. But thanks to a massive state recapitalization combined with regulatory forbearance, Russian banks now appear to be adequately capitalized. The CBR intensified its supervision of the banking sector, and its de-licensing of 93 financially unviable banks reduced the total number of banks from 834 to 733. However, weaknesses in financial sector oversight and the uneven enforcement of banking regulations persist.

Figure 5: Profitability and Credit Risk, percent

![Figure 5: Profitability and Credit Risk, percent](image)

Source: CBR.

Current Account and Capital Flows

External balances adjusted smoothly, helped by the CBR’s adherence to the free float. A 16.5 percent depreciation of the real effective exchange rate drove down import volumes by 25.7 percent, nearly doubling the current account surplus to 5.2 percent of GDP (US$69.6 billion) (figure 6). The continued deleveraging of external debt and a decline in remittance outflows supported the growth of the current account surplus. A substantial reduction in net external liabilities reduced outbound interest and dividend payments, nearly halving the investment income balance. Finally, a drop in outbound remittances halved the labor income deficit, which fell from US$10.1 billion in 2014 to US$5.1 billion in 2015, as the recession reduced the number of migrant and expatriate workers and the depreciation diminished the value of remittances in real terms. Meanwhile, net capital outflows moderated from 7.4
percent of GDP in 2014 to 4.4 percent in 2015, mainly due to the complete disappearance of the net acquisitions of foreign assets, which dropped from US$121.9 billion in 2014 to a negative US$3.4 billion in 2015.

**Public Finance**

The federal budget deficit increased dramatically in 2015 and the Government used the Reserve Fund as the primary source for its deficit financing. In 2015, and especially in the second half of the year, oil and gas revenues declined sharply in tandem with oil prices. Unlike in 2014 when the ruble depreciation effect largely balanced out lower oil revenues, in 2015, the ruble depreciation could not compensate for plummeting oil and gas prices, as the effective tax rate for oil and gas export duties shrank at this price level. Low oil prices ushered in a difficult period of fiscal consolidation that started in 2015, yet annual federal spending fell by just 2.5 percent in real terms, half the original target of 5 percent. This decrease in expenditure could not compensate for the drop in oil revenues, and the federal budget deficit shot up to 2.4 percent of GDP in 2015 from 0.4 percent in 2014, financed mainly by the Reserve Fund. As a result, the Reserve Fund almost halved by the end of 2015 to US$46.0 billion from US$87.9 billion in December 2014. Thanks to the expenditure consolidation and growth in non-oil revenues, the non-oil deficit improved slightly from 10.0 percent of GDP in 2014 to 9.7 percent of GDP in 2015 (figure 7).

**Figure 6. Current Account Balance, Percent of GDP**

![Current Account Balance, Percent of GDP](chart)

*Sources: CBR, World Bank staff estimates.*

**Going forward, two key fiscal policy challenges remain.** The first will be to embark on a strategic expenditure restructuring process going well beyond general budget cuts, while also strengthening the nonoil revenue base to adjust to a protracted downturn in oil and gas revenues. Budget cuts can be effective as an emergency response to shocks, but more sophisticated reforms extending to both sides of the budget will be necessary to adjust to a protracted downturn in oil and gas revenues. The second challenge will be to manage expenditure uncertainty in the absence of medium-term budgeting, which was suspended in August 2015. A return to a credible medium-term fiscal framework is paramount and would boost consumer and business confidence by reducing fiscal uncertainty.

**Figure 7: Federal Budget Balance, Percent of GDP**

![Federal Budget Balance, Percent of GDP](chart)

*Due to changes in methodology, nominal GDP for 2014 and 2015 is not comparable with the nominal GDP for 2011–13. Source: Ministry of Finance; Economic Expert Group; World Bank staff calculations.*

**Jobs, Unemployment, and Poverty**

Labor market indicators have begun to weaken, and the unemployment rate is slowly rising. However, falling wages remain the primary mechanism through which the labor market is adjusting to the recession. Unemployment increased only slightly from a record low of 5.3 percent in 2014 to 5.6 percent last year. However, real wages fell by 9.5 percent in 2015 after rising by 1.2 percent in 2014, with declines recorded across all sectors as inflation remained in double digits. Nevertheless, it was not only wages that declined. All components of disposable income continued to decrease in real terms, weighing heavily on household consumption. Nonwage income sources such as pensions and other transfers also declined, as they were indexed below inflation. Real pensions contracted by 4 percent in 2015 compared to an increase of 0.9 percent in 2014.
The overall decline in real disposable income (figure 8) drove the steep decline in consumption in 2015.

The decline in real income had a significant impact on poverty. In 2015, the number of poor people rose from 16.1 million, or 11.2 percent of the population, to 19.2 million, or 13.4 percent of the population. The increase in poverty was driven by the erosion of real income combined with rising prices for food and services, which pushed many people back below the poverty line. Since the fourth quarter of 2014, the average real income of the bottom 40 percent of the population has grown at exactly the same rate as the average income of the total population. This means that the convergence of incomes of the poorest 40 percent of the population to the average did not happen. For that, the income growth of the poorest 40 percent of the population would need to outpace average income growth.

![Figure 8: Real Income Growth, y-o-y, percent](image)

Source: Rosstat; World Bank staff estimates.

Gender

Gender equality is high in Russia overall, yet gaps remain in health and access to economic opportunities. The egalitarian socialist legacy and relatively high and growing levels of income have translated into fairly equal gender outcomes in Russia along many dimensions. There are no significant differences in education levels between men and women, and women do not seem to have difficulties in transitioning from school to work or remaining employed over the life cycle. Female labor force participation is significantly above the levels observed in other countries in the Europe and Central Asia (ECA) region as well as among Organisation for Economic Co-operation and Development (OECD) countries. However, high sector segregation and gender income gaps remain, with women earning on average 30 percent less than men. And although improvements in health delivery services have had a positive impact on reducing maternal mortality levels, they have not been sufficient to reduce excess male mortality, which is rooted in unhealthy risky behavior as well as the failure to implement measures to prevent cardiovascular diseases.

Low female participation in decision-making bodies reduces the ability of women to influence policy making. The share of women in the State Duma (the lower house of the Russian parliament) has increased slightly but at 14 percent remains low in comparison to other countries. The number of women in the Federation Council (the upper house of the Russian parliament) has increased in both absolute and relative terms but is still low; in 2005, there were 10 women (5.7 percent) among 175 members of the Council, and in 2015, there were 27 women (15.9 percent) among 170 senators. The lack of policy action in areas such as domestic violence, including the lack of reliable data in terms of victims, would likely see a change if the representation of women were to increase.

Health

Health indicators generally remain low in Russia from an international perspective and compared to countries with similar levels of development (figure 9). However, measures undertaken to improve the health of the population, including the fight against tuberculosis, have shown some positive results. Life expectancy at birth trended upward according to the United Nations Development Programme’s Human Development Report, from 65.5 years in 2005 to 70.9 years in 2014, although male life expectancy remains low in comparison to the OECD average.
The differences in health outcomes across regions are profound. For example, in far northeast Chukotka, life expectancy is 62.3 years (57.5 years for men), and in Moscow city, it is 76.7 years (72.8 years for men).

The World Bank has provided wide-ranging support to the health sector, with good results. The Bank provided support to the Federal Compulsory Health Insurance Fund to improve provider payment methods for outpatient and inpatient care and to stimulate the efficiency and effectiveness of the health system. For the first time, a Russian diagnosis-related group (DRG) model was developed in 2012 and piloted in the Kirov, Lipetsk, and Tomsk regions. Following the request of the Russian Ministry of Health, it was refined in 2014–15 and implemented in an additional eight regions, resulting in improved hospital efficiency and productivity and a reduced regional variation in hospital tariffs. The DRG model was officially recommended for the reimbursement of hospital care by the Russian Ministry of Health, substituting the old extensive provider payment methods based on input indicators such as bed-days.

Education

With public expenditure levels of about 4.6 percent of GDP in education, Russia invests less in education than the OECD average of 6.1 percent. Russia also allocates a somewhat smaller share of the overall government budget to education compared to the OECD country average (10.9 percent compared to 12.9 percent, respectively). Compared internationally, the structure of education spending in Russia is geared more toward tertiary education.

Relatively low spending on education in Russia achieves quite good outcomes compared to OECD countries. Russia’s achievements on international education tests vary. While primary school students are among the best readers and demonstrate a high level of math and science literacy according to the results of the Progress in International Reading Literacy Study (PIRLS) and Trends in Mathematics and Science Study (TIMSS), Russia’s achievements on the Program for International Student Assessment (PISA) are modest (figure 10), most notably in the area of knowledge adaptation and problem solving.

In recent years, several reforms have been implemented in the education sector, with support from the World Bank. These reforms aim at improving the quality of education and enhancing the efficiency of public spending on education through the introduction of new fiscal incentive structures, the measurement of results, changes in early childhood development curricula, the extension of e-learning nationwide (including to children in rural areas), the orientation of vocational education to labor market demands, and the internationalization of higher education.

Regional Development and Municipalities

Regional development continues to be a challenge for the largest country in the world by land area. Faced with significant contrasts in socioeconomic, climatic, and geographic conditions across its 83 regions, the Government has embarked on a series of reforms to provide access to social services and infrastructure of comparable quality all over the country.
Uniformly low population densities make it difficult to capture agglomeration economies in Russia. However, there has been measurable progress in convergence over the Country Partnership Strategy (CPS) period (FY12–16) when measured in gross regional product (GRP).

The infrastructure backlog remains huge. The Bank supported Russia in a catalytic function with four fee-based service agreements in St. Petersburg. This provided the basis for Pulkovo Airport to become Russia’s first public-private partnership (PPP) to receive international private investment in the transport sector, raising €1.1 billion, including €70 million provided by the International Finance Corporation (IFC) and a further €190 million syndicated jointly by IFC and the European Bank for Reconstruction and Development (EBRD).

A model for the delivery of better housing and communal services is evolving at the municipal level. Two decades of support from the World Bank Group has aided the creation of modern land and property markets, the mortgage industry, and financially viable utilities. Bank lending for and IFC investment in water quality and district heating established the principle that tariffs can be raised if quality and service are improved, while targeting housing subsidies to the poorest. Currently, the Housing and Communal Services Project is applying these lessons by providing investments in utility modernization in return for tariff and subsidy reform by municipalities.

Public participation is increasing in Bank-supported initiatives of local self-government. Since 2007, the World Bank has assisted eight regional governments—the Republic of North Ossetia-Alania; the Republic of Bashkortostan; Stavropol and Khabarovsk Krai; Kirov, Tver, and Nizhegorodskaya Oblasts; and the Jewish Autonomous Oblast—to implement the Local Initiatives Support Program (LISP) in poor rural communities. The program aims to enhance trust between the population and local authorities by involving citizens in the decision-making process. Currently, up to 18 percent of the relevant populations are directly involved in about 3,000 activities under the LISP effort.

Public Sector Management

Public expenditure effectiveness is high on the agenda. The World Bank has assisted the Government in developing a strategy for improving the effectiveness of public expenditures. Back in July 2011, the Bank completed a Public Expenditure Review, focusing on long-term fiscal risks, transport expenditures, and public employment; identifying major opportunities for expenditure savings; and streamlining public employment. Currently, the work in the area of public expenditure has been invigorated.

Efforts to improve the quality of public services have intensified. Streamlined standards for federal authorities in service delivery are beginning to induce cultural change in the bureaucracy. Nevertheless, the modernization of public administration and the judiciary requires greater effort, and civil service reform is incomplete.

Some progress in service delivery is observable. For example, multi-functional service centers have helped to halve the waiting time for some administrative services. The Government is also actively implementing e-government and open data initiatives at the federal, regional, and municipal levels. The World Bank’s engagement in this area has ranged from support for open data readiness assessment and action planning in Ulyanovsk Oblast to the delivery of analytical reports and advisory assistance on information and communications technology (ICT)-enabled services and open data innovation to the federal government.

There has also been an improvement in performance and client satisfaction in several public agencies. Bank-supported projects in tax administration, customs, judicial reform, and land administration have reduced costs and processing time for key functions while also increasing public satisfaction.

Public Financial Management

Public financial management (PFM) has undergone significant reforms, involving decentralization and the introduction of a three-year budget framework. The Russian Government shows strong commitment to modern principles of sound fiscal management. The focus is now to follow
up on the recent fiscal decentralization by improving performance at the municipal level.

The Ministry of Finance has greatly modernized legal and institutional mechanisms in support of PFM reforms. These have included systems for monitoring subnational public finance, implementing Treasury principles of budget execution, creating budget authority at the municipal level, revising revenue and expenditure assignments, adopting legislation on the insolvency of regional budgets, and operating a Regional Fiscal Reform Fund. The Government’s reform program also includes further implementation of performance and program budgeting. The Bank has supported all of these efforts with lending and Analytical and Advisory Services since 1998.

Deepening Russia’s Role in Global and Regional Development

Russia has taken on an important regional and global role through its memberships in the Asia-Pacific Economic Cooperation (APEC), the Group of 20 (G20), and BRICS.¹

During the past decade, levels of Russia’s Official Development Assistance (ODA) have been steadily growing and rose from about US$50 million in 2002–03 to US$875 million in 2014. During the same period, favorable macroeconomic conditions based on strong economic growth and changes in the emphasis of Russia’s foreign policy have had a notable impact on the country’s growing role in development cooperation and the increasing levels of ODA. Russia officially started to report its level of development assistance to the OECD Development Assistance Committee (DAC) in 2011.

In April 2014, the Concept Document of Russia’s State Policy in the Area of International Development Assistance was adopted, replacing the Concept of Russia’s Participation in International Development Assistance (approved in 2007). The document presents a vision of the goals, principles, priorities, and main directions of Russia’s state policy in the area of international development assistance.

The majority of Russian development assistance is currently being channeled through multilateral institutions, including the World Bank Group. The World Bank is a partner of choice for Russia’s development cooperation with the poorest countries. In particular, Russia has been a partner to the International Development Association (IDA) since the ninth replenishment (referred to as “IDA9”) in 1997 and has shown growing support and commitment to World Bank development programs and trust funds. Russia pledges to 21 IDA/International Bank for Reconstruction and Development (IBRD) trust funds, with contributions reaching a total of almost US$261 million.

Russia has increased its regional role and is one of the largest trust fund donors in ECA at the World Bank. Russia has five trust funds (US$74 million, or 30 percent of total Russian trust fund pledges), exclusively targeting ECA countries: (i) Public Expenditure Management and Peer-Assisted Learning (PEMPAL), (ii) Public Financial Management (PFM) Trust Fund, (iii) ECA Statistical Capacity Building Trust Fund, (iv) ECA Capacity Development Trust Fund, which finances program and project preparation, and (v) the Global Food Price Crisis Response Program for Tajikistan and the Kyrgyz Republic.

Deepening Russia’s role in global and regional development is one of four strategic themes of the World Bank Group-Russia 2012–16 CPS. An up-to-date capacity-building program for the Russian development aid system started in 2009 as the “Russia as a Donor Initiative (RDI),” funded by the

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¹ BRICS refers to the countries of Brazil, Russia, India, China, and South Africa.
UK’s Department for International Development (DFID), and has been extended by the World Bank. The capacity-building program has laid the foundation for Russia’s system of development assistance by providing support in the areas of ODA statistics, ODA strategic communications, and the elaboration of a learning curriculum on international development cooperation for Russian universities. During its presidencies of APEC in 2012, the G20 in 2013, and BRICS in 2015, the Bank supported the Russian Federation through expert advice and organizational assistance focused on strengthening Russia’s provision of global public goods.

THE WORLD BANK PROGRAM IN RUSSIA

The Russian Federation joined the World Bank (IBRD and IDA) in 1992. The Bank has provided financing for 70 projects in different sectors totaling slightly over US$10.5 billion in IBRD loans. About 95 percent of the total portfolio has already been disbursed.

The current IBRD portfolio consists of nine projects with a total current commitment of US$636.1 million (as of March 2016). All of the Bank’s financing to Russia is currently provided in the form of investment project financing. Reimbursable Advisory Services (RAS) show steady demand, with continued interest from the regions and the federal government.

Portfolio quality is satisfactory. Most projects hold satisfactory ratings for progress toward development objectives. Two projects are at risk with moderately unsatisfactory and unsatisfactory ratings for implementation progress. These projects, namely, the Second National Hydromet Modernization Project and the Forest Fire Response Management Project, are being closely monitored, as there are significant delays in implementation, putting 15.7 percent of the commitments at risk. The Housing and Communal Services Project went through restructuring and has been extended. The current disbursement ratio for FY16 is 14.7 percent, and the average project age is 6.42 years.

Advisory Services and Analytics (ASA) remain an important part of the World Bank’s engagement in Russia. In close cooperation with the Government, ASA products are helping to modernize public finance and administration and improve social service delivery and the investment climate. The Bank expanded its technical assistance to areas of early childhood development and social development, such as technical assistance on indigenous people and social accountability. In FY16, along with two traditional flagship Russia Economic Reports, the World Bank plans to release a study on “Connectivity and Inclusive Growth in Russia.”

Demand has grown rapidly for RAS. Since 2007, the World Bank has entered into more than 80 RAS Agreements. These cover a wide range of activities that are well aligned with Russia’s development challenges. RAS are also of increasing importance for Russia’s regions; more than 30 of Russia’s subnational governments have signed at least one RAS with the World Bank (15 currently active in nine different regions).

Innovative RAS products allow the World Bank to build and keep a lead in global knowledge provision. As international experience and analytical components are often critical success factors for education, health, and social protection, demand from clients has led to the widespread use of RAS in associated global practices as well. During the past two years, RAS are also in demand for improving the investment climate, providing economic policy advice, and bolstering the local initiatives support program.
MAP OF THE RUSSIAN FEDERATION
The project supports the rehabilitation and improvement of cultural heritage sites and institutions, as well as the conservation, safekeeping, and promotion of cultural heritage assets in four of the country’s oblasts (regions): Leningrad, Pskov, Novgorod, and Tver. The project will also help the participating oblasts to strengthen their internal capacity for cultural heritage management so that they can foster socioeconomic development arising from the opportunities of cultural tourism. The project builds on the know-how and experience of the St. Petersburg Economic Development Project and its predecessor, the St. Petersburg City Center Rehabilitation Project. The project is in line with the key objectives of the Concept for the Long-Term Social and Economic Development of the Russian Federation until 2020, which refers to culture as one of the strategic sources of economic development and to the cultural potential of Russia’s regions. Leningrad, Pskov, Novgorod, and Tver oblasts, located between St. Petersburg and Moscow, are rich in history and in national historic landmarks that are of universal significance. The project aims to assist the Government in its efforts to improve the protection of Russia’s movable cultural property by upgrading collection management and conservation and storage facilities and improving museum security practices.

The Project Development Objectives are: (1) to support the conservation, safekeeping, and promotion of cultural heritage assets in Leningrad, Pskov, Novgorod, and Tver oblasts of the Russian Federation and (2) to strengthen the regional capacity for cultural heritage management so it supports the socioeconomic development of the participating oblasts.

The project includes three components: 1. The Integrated Heritage Site Development Component supports (i) the large-scale, integrated site development and management of subprojects consistent with regional (oblast-level) development plans and the financing of the conservation of heritage sites in federal ownership (so-called Large Window subprojects); and (ii) small-scale local subprojects aimed at improving existing cultural heritage sites and institutions and enhancing their appeal to visitors and value for local populations (so-called Small Window subprojects). Among the subprojects selected under the first call of the Large Window are: the Historical, Architectural, and Natural Museum-Reserve “Mon Repos Park” and the House of the Station Master Museum in Leningrad oblast; the White (Alekseevskaya) Tower of Roundabout City and the Church of the Annunciation at Ryurik Gorodische of the XII–XIV Centuries in Novgorod oblast; the Museum Quarter and Pokrovskaya Tower in Pskov oblast; and the Tver Imperial Putevoy (Traveling) Palace in Tver oblast. The work on the rehabilitation of the Tver Imperial Putevoy Palace has been successfully completed, and the building is being transferred to the user—the Tver Oblast Picture Gallery. The building will be reopened to the public in the fall 2016 with new collections and services. Designs for the rehabilitation of the White Tower, the Church of the Annunciation at Ryurik Gorodische in Novgorod Oblast, and Mon Repos in Leningrad oblast have been completed, and the works on the White Tower and Ryurik Gorodische have already been started. Preparation of design documentation for other subprojects under the first call is on track. Under the Large Window second call, the following sites were approved by the Inter-Ministerial Committee for the preparation of design documentation: the Priyutino Estate Museum and Vyborg Castle in Leningrad oblast; the Former Deputies’ Assembly Building, the Vitoslavlitsy Wooden Architecture Museum, and the Travel Palace in Korostyn in Novgorod oblast; and Varlaam Corner of the Pskov Kremlin and Postnikov’s Court in Pskov oblast. Design documentation for Vitoslavlitsy is ready. Preparation of designs for other subprojects is on track. Progress under the Small Window subcomponent is very satisfactory and largely exceeds the planned targets. 46 Small Window subprojects have been approved by the Inter-Ministerial Committee to date as a result of three calls for Small Window proposals, and 17 of them have already been successfully completed. In addition, the Integrated Heritage Site Development component includes a capacity-building subcomponent to build the capacity of project-participating oblasts, municipalities, and state cultural institutions with a view to improving cultural development via a combination of long- and short-term.
term training activities. 2. The Component on the Protection of Museum Assets is designed to support the Government’s efforts to protect and promote the movable cultural heritage assets of Russia. In particular, it supports a pilot construction of a Multifunctional Museum Facility (MMF) in Leningrad oblast for conservation, research, and training purposes, including laboratories and studios for various types of items and materials, which serves as a regional hub for providing professional culture and art services. Design documentation for the MMF has been developed, and the tender documentation for the selection of a contractor is ongoing. The project was extended to June 30, 2019 to ensure the construction of the MMF based on its final design. The component also finances the development of practical guidelines and specifications to promote the installation of modern security systems based on the specific categories and characteristics of cultural institutions, and also the installation and testing of modern security equipment and the provision of related training in selected cultural institutions in participating oblasts. 3. The Project Management and Monitoring and Evaluation Component.

**Key Partners:** Ministry of Culture of the Russian Federation (responsible for project implementation); St. Petersburg Foundation for Investment Projects (acts as Project Implementation Unit); Inter-Ministerial Committee (led by the Ministry of Culture and composed of Ministry of Finance and Ministry of Economic Development, responsible for strategic issues and decisions during project preparation and implementation); and Oblast Working Groups (based in the participating oblasts for the preparation of subproject proposals under the Integrated Heritage Site Development window).
RUSSIAN FEDERATION: SECOND NATIONAL HYDROMET MODERNIZATION PROJECT (RU HYDROMET-2)

**Key Dates:**
- Approved: September 17, 2013
- Signing date: January 17, 2014
- Effectiveness: May 8, 2014
- Closing: December 31, 2018

**Financing in million US Dollars***:

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*As of March 2016

Despite considerable accomplishments under the RU Hydromet-1 project, the Government recognized that one relatively modest project could not possibly address the entire gamut of shortcomings resulting from two decades of disinvestments. The estimated priority investment needs in the meteorological and hydrological observation infrastructure according to the most conservative estimates are more than US$0.5 billion. The first project supported the most critical modernization needs of this observation infrastructure, ensuring interim fulfillments of Russia’s international obligations in weather and climate data sharing, and also supported testing and implementing technical and technological approaches and solutions. Project results were analyzed and reflected in the Implementation Completion Report (ICR), and implementation was consistently rated satisfactory.

The second project will support Roshydromet in achieving its mid-term modernization goals set up in Strategy 2030 by further strengthening the hydrological networks and services (less than 7 percent of the network was modernized by the first project) and enhancing the information systems for weather, climate, and hydrological forecasting.

**The Project Development Objective** of the Second National Hydromet System Modernization Project (RU-Hydromet-2) is to further enhance the national capacity to deliver reliable and timely weather, hydrological, and climate information to the Russian public and economic sector and to enhance Russia’s capacity to integrate into the global system of meteorological services. As a result of the project, Roshydromet will further modernize its services and improve the accuracy of information necessary to protect society and the economy from a wide range of hydrometeorological and climate-related hazards. The project will also support Russia’s public institutions to make informed economic decisions related to climate information (both negative and positive impacts) based on comprehensive climate models and assessment capacity.

The project invested in four components:

*The first component* is strengthening the information and communications technology (ICT) infrastructure and systems delivering weather, climate, and hydrological data and information. This component will strengthen the ICT infrastructure and technical capabilities in order to improve operational forecasting and other hydrometeorological products, support research on climate change, and improve access to Roshydromet’s data and information, including to archived data.

*The second component* is the modernization of observation networks. The main objective of this component is the modernization of the equipment and technologies of key elements of Roshydromet’s observation networks and the integrated modernization of the hydrological network in the Volga river basin.

*The third component* is institutional and regulatory strengthening, improvement of service delivery to clients, and better preparedness for emergencies. The objective of this component is to improve the performance of Roshydromet service in line with international experience through the capacity building of operational and research staff, the improvement of service delivery in response to growing societal needs, and better preparedness for emergency situations.
**The fourth component** is project management. It will finance the provision of consultant services and equipment to be used by the Bureau of Economic Analysis (BEA) as well as operating costs, all in relation to the management of project implementation.

**Results Anticipated:**

- Increased accuracy and timeliness of basic weather forecasts. At the end of the project, forecasts with 168 hours lead time will exceed 70 percent accuracy for the main administrative centers of Russia (against a baseline of 2011, which is less than 120 hours lead time);
- Increased accuracy of seasonal river flow forecasts in the reservoirs in the Volga river basin whereby at the end of the project, the accuracy of forecasts will exceed 85–90 percent (against the 2011 baseline of 75–80 percent);
- Increased number of sectoral users of Roshydromet’s data (annual growth of 5 percent);
- Client satisfaction index measured by a sociological survey carried out in year five (expected client satisfaction at the end of the project: 75 percent versus 65 percent in 2011).

Intermediate results indicators include, *inter alia:* (i) increased accuracy of severe weather warnings (from 88 percent in 2011 to 92 percent at the end of the project); (ii) improved coverage of the Russian territory by hydrological observation sites (measured by percentage of the recommended World Meteorological Organization [WMO] standards); (iii) increased spatial resolution of weather forecasts (up to 6–7 kilometer resolution for the 72 hour lead-time forecasts for large cities); (iv) increased number of Roshydromet centers providing operational access to data and information (measured in numbers compared with 2011); and (v) increased number of scientists and specialists who participated in scientific assignments and study courses at leading institutes and research organizations outside Russia (measured in numbers of specialists who completed such assignments).

**Key Partners:** Roshydromet (in charge of project implementation) and the project’s Inter-Agency Committee, composed of Roshydromet and representatives from the Ministries of Natural Resources and Environment, Finance, and Economic Development are responsible for strategic issues and decisions during project implementation; and the Bureau of Economic Analysis, a noncommercial foundation that was selected on a competitive basis, which acts as the Project Implementation Unit for the purposes of day-to-day assistance to Roshydromet in project management.

**Key Beneficiaries:** The primary beneficiary of the project is Roshydromet, which will enhance its operational, technological, and institutional capacity and strengthen its position as a modern weather service organization capable of providing accurate and timely information, services, and research on weather, climate, and hydrology in compliance with national strategic development goals and international commitments and obligations. Equally prime beneficiaries of the project are the regional and municipal governments and the weather-, water-, and climate-dependent economic sectors, such as emergency, disaster reduction/civil protection, water resources management, civil aviation and transport, agriculture, health, energy, forestry, communal services, tourism, and maritime planning. Consequently, the agencies representing these sectors are the key stakeholders that assign a high priority to the need for further improvement of hydrometeorological services. The project has multiple beneficiaries in Russia in the regions prone to natural disasters and within the global hydrometeorological community. The project will bring considerable benefits to the international hydrometeorological community in two ways: by providing better access to reliable and abundant observation data from the vast territory of Russia and thus contributing to more accurate global forecasting, and by facilitating Roshydromet’s access to global weather and climate data.
RUSSIAN FEDERATION: FOREST FIRE RESPONSE PROJECT

Key Dates:
Approved: September 20, 2012
Effective: December 5, 2013
Closing: January 31, 2018

Financing in million US Dollars*:

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<tr>
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*As of March 2016

This project supports the Government in its forest fire prevention and management efforts. The Bank continues a long-standing and comprehensive engagement with Russia on forest management, where efforts have centered on policy development, institutional strengthening, information and land-use planning systems, and strengthened regional forest inventory and pest protection organizations.

The Project Development Objectives are to improve forest fire prevention and suppression in select forest ecosystems, including targeted protected areas, and to enhance forest management in pilot regions. The project supports both forest fire management and sustainable forest management, given their close linkages. Thus, forest policy, legislation, and silviculture play important roles in the likelihood, extent, and severity of forest fires.

Components. The project is divided into two primary components:

Component 1 aims to improve the effectiveness of forest fire prevention and management by (i) improving the capacity for early detection and quick response to fight forest fires and (ii) reducing the number of fires of human origin through awareness raising and environmental education programs. Forest fire detection will be strengthened in five selected pilot regions and in targeted Protected Areas through developing fire preparedness and management plans, upgrading the fire danger rating and hazard index system, and piloting early fire detection systems. To improve the ground-based forest fire response, fire stations will be rehabilitated, local fire brigades established, and firefighting and communications equipment provided. In addition, public awareness programs and media campaigns will be conducted to advocate forest fire safety rules and reduce the incidence of forest fires of human origin.

Component 2 aims to address the current perverse incentives that drive both illegal logging and the willful and accidental setting of forest fires to modify silvicultural practices so as to reduce the extent and intensity of fires once they are ignited, to improve forest regeneration, and to improve the efficiency of forest management, both nationally and in Protected Areas. This component will provide: technical assistance to support the institutional framework by the identification of key policy and legislative issues, as well as voluntary certification; targeted investments to improve forest regeneration and restoration; the development of an integrated forest management information system; the development of model forests; and the training of forest administration and management agencies, including Protected Area fire management units.

Results Anticipated: Progress toward achieving the objectives will be measured against the average area of fire at detection, the percentage of fires suppressed within 24 hours after detection, and the new silvicultural systems developed and trialed in project pilot regions and Protected Areas. The project aims to support the Government of Russia in reducing the possibilities that a fire season like that of 2010 is repeated. As such, it is expected that project results will indicate that fires that occur in the pilot regions, Protected Areas, and those areas monitored by regional forest fire management coordination centers are better controlled (and hence reduced in extent and severity), as they will be detected sooner, response time will be reduced due to better communications, firefighting capacity in terms of equipment and trained personnel will have been increased, and interagency and interregional firefighting coordination and cooperation will be enhanced.

Key Partners. There are two implementing agencies for the project: the Federal Forestry Agency (FFA), which covers the extensive area of the forest fund, and the Ministry of Natural Resources and Environment (MNRE), which implements the
project in Protected Areas. Overall project management (for both implementing agencies) is being undertaken by a single Project Implementation Unit (the Foundation for Enterprise Restructuring, FER). In addition, an Interagency Committee has been established to support interagency coordination, monitor project progress on a quarterly basis, and settle controversies that might arise during implementation. The committee consists of representatives from FFA, MNRE, the Ministry of Economic Development, and the Ministry of Finance.

**Project Beneficiaries.** By improving early fire detection, firefighting, and control, as well as forest regeneration and restoration following forest fires, the project is expected to directly benefit a wide range of stakeholders, including forest lessees, timber harvesters, hunters, fisherman, farmers, staff of the Protected Areas, populations using forests for recreational activities, and populations living near forest areas. The nature of the benefits will be financial, economic, environmental, ecological, institutional, and social. Economic benefits include increased timber income from reduced commercial timber losses from fire and the more rapid growth of forests from improved generation. Ecological benefits include those from better conservation of forest ecosystems through improved fire protection and overall forest management. Institutional benefits include those from better training. Social benefits include reduced health- and injury-related losses, as well as increased employment and increased awareness among local communities and youth on forest fire prevention.
Over the past few years, the Russian Federation has undertaken significant public financial management and institutional reforms, incorporating good international practice and laying the foundations for a modern public financial management system. The most notable achievements will include; (i) the successful implementation of a modern Treasury Accounting System and a single treasury account, (ii) the regulation of the overall budget process and introduction of three-year federal budgets, (iii) the creation of the Oil Stabilization Fund, (iv) the reform of regional fiscal relations and the establishment of fiscal rules for the subnational governments, and (v) the modernization of tax administration, leading to a cultural shift from the traditional command-and-control approach to a modern service-oriented approach.

The Project Development Objective is to improve transparency and the results focus in public financial management and to build institutional foundations for improved budget efficiency, effectiveness, and accountability. This will be achieved through support to four main areas of activity:

i. Enhancing the economic efficiency of the tax system through changes in key areas of tax policy and improving the services provided by the Federal Tax Service;

ii. Streamlining the methods of financing subnational governments, strengthening their focus on results at all stages of the budget cycle, and building their capacity to manage public finances;

iii. Enhancing the quality, flow, and accessibility of budget information through implementation of the E-Budget system, contributing to improved transparency and accountability;

iv. Strengthening budget preparation, control, and monitoring processes to ensure greater focus on expenditure efficiency, effectiveness, and results.

The project is organized into five substantive components supported by a project management component. The five components address budget sustainability and efficiency in a comprehensive manner and are closely interrelated and mutually supportive:

- Component 1: Improving the Economic Efficiency of Tax Policy and Administration (US$39.744 million)
- Component 2: Improving the Efficiency of Inter-Governmental Fiscal Relations and Subnational Public Finance Management (US$24.840 million)
- Component 3: Supporting the Development of the E-Budget System (US$39.148 million)
- Component 4: Enhancing Budget Efficiency (US$24.840 million)
- Component 5: Advancing Project Management (US$5.000 million)

Results: The realization of the Project Development Objectives will be assessed using selected quantifiable results indicators. The expected results associated with these strategic objectives are as follows:

(a) Reduced time spent by small and medium-sized enterprises (SMEs) on tax calculation and payment
(b) Increased number of regions with satisfactory public financial management performance
<table>
<thead>
<tr>
<th>(c)</th>
<th>Improved budget transparency scores</th>
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<tbody>
<tr>
<td>(d)</td>
<td>Improved coverage of the federal budget with performance measures</td>
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</table>

**Key Partners:** The direct partners in the project are the Ministry of Finance, the Federal Tax Service, the Federal Treasury, and the Ministry of Economic Development. Indirect partners are expected to include federal line ministries and subnational governments.
RUSSIAN FEDERATION: FINANCIAL LITERACY AND FINANCIAL EDUCATION PROJECT

Key Dates:
Approved: December 7, 2010
Effective: July 29, 2011
Closing: April 30, 2018

Before the 1990s, Russian citizens had limited access to only a few financial services provided by state organizations. During the early 2000s, the financial industry in Russia expanded, following positive trends in economic growth and reforms in the financial and social sectors. Incomes and savings increased but financial literacy did not. A nationwide survey conducted in June 2008 showed that the financial literacy of Russian citizens remained low, and that 40 percent of the population still believed that the government would compensate them for financial losses on personal investments.

Financial literacy is the ability to make informed decisions about the use and management of one’s financial resources. Financial education is a process to help financial consumers improve their understanding of financial products and concepts and by obtaining information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, make informed choices, know where to go for help, and take other effective actions to improve their financial well-being.

The Project Development Objectives are: (1) to improve the financial literacy of Russian citizens (especially among school-age and college students and active and potential low- and middle-income users of financial services); and (2) to strengthen the foundations for improving consumer protection in the financial services.

The project includes five components:
- The first component is the development of a national financial literacy strategy, strengthening the institutional and legal framework for the implementation of financial literacy and consumer protection policies, and the development of a project monitoring and evaluation framework.
- The second component concerns building institutional and human capacity for raising financial literacy in Russia at both the federal and regional levels and in the public and private sectors.
- The third component includes the development and implementation of educational programs, an information campaign, and the scaling-up of existing financial literacy improvement initiatives.
- The fourth component aims at strengthening consumer protection in the financial services industry by strengthening the capacity for financial consumer protection in the Consumer Protection Service, industry professional associations, and civil society.
- The fifth component deals with project management, implementation, and monitoring and evaluation as set forth by the rules and procedures of the International Bank for Reconstruction and Development (IBRD) and Russian laws and regulations.

Key Partners: The proposed project is being implemented by the Ministry of Finance, with supervision and coordination provided by the Interagency Project Committee (IAPC). By the end of the proposed project, the Ministry of Finance will empower one of its organizational units with the long-run responsibility for the National Financial Literacy Improvement Strategy (NFLIS) and financial literacy improvement. The Expert Board of the IAPC will be established and made responsible for providing high-level expert support to the IAPC. Regional financial education programs will be implemented through the Regional Centers for Financial Literacy (RCFLs). The Consumer Protection Service (CPS) will participate in the implementation of activities designated for developing consumer protection capacity. The Ministry of Education will participate in the implementation of segments linked to capacity building in financial education and the design of financial education programs. The “Fund of Good Ideas” (US$10 million) will support financial literacy and the consumer protection improvement initiatives of civil society, nongovernmental organizations (NGOs), public and private sector entities, and individuals.
RUSSIAN FEDERATION: HOUSING AND COMMUNAL SERVICES PROJECT

Key Dates:
- **Approved:** February 26, 2008
- **Effective:** February 5, 2010
- **Closing:** May 15, 2018

**Financing in million US Dollars**:  

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*As of March 2016

The Housing and Communal Services (HCS) sector—comprising housing, district heating, and water supply and wastewater treatment—remains one of the most inefficient segments of the Russian economy. Services often continued to be delivered in much the same way as they were during the Soviet era, with virtually no reliance on market-based mechanisms. During the economic turmoil of the 1990s, the housing stock and utility assets depreciated, as maintenance and investment funds were diverted elsewhere by cash-strapped households and local governments. As a result, the quality and reliability of the HCS sector degraded, lowering the living standards of the people. With the economic recovery between the 1998 and 2008 crises, the federal authorities and municipal administrations began to implement a number of policy and institutional reforms in the sector and rehabilitate sector assets. The project aims to support that effort by financing technical assistance to the federal Ministry of Construction and HCS and participating cities, as well as investments in the HCS infrastructure by the participating cities.

**The Project Development Objective** is to improve the quality and financial viability of HCS in the participating cities. Thus, it would contribute to raising the living standards of the population.

The project supports investments in the HCS infrastructure in the participating cities, which, following the completion of the agreed set of reforms, will receive grants to upgrade their communal infrastructure. The set of reforms includes measures on improving the financial viability of communal service providers, strengthening the social protection of HCS consumers, and creating market competition in housing management and maintenance. Investments in the communal infrastructure include the water and sanitation, heating, and housing sectors. Project outcomes are measured by a series of technical indicators, such as the profitability of utilities, the level network losses, etc., the share of multi-apartment buildings managed by professional management companies, and the population’s level of satisfaction with the quality of services.

**Results:** Ten main and four reserve cities have been selected competitively to participate, and all of the cities have completed the necessary reform measures and moved to the investment phase of the project. To date, project funds are fully committed. Disbursement slowed down in 2013 and 2014 due to a reorganization of the Russian Ministry of Regional Development (MORD), which delayed the signing of procurement packages and payments to the contractors. After the MORD was disbanded in September 2014, the recently established Ministry of Construction and HCS assumed the responsibility for the HCS project. This put project implementation on a solid path and helped achieve visible improvements in disbursement and a faster pace of contract execution. At the same time, despite these positive trends, due to the absence of an authorized government representative who could approve and sign contracts under completed tenders or process payments under ongoing contracts at the time of the government reorganization, there were a number of works contracts that could not be completed by the existing project closing date of May 15, 2016. Per the request of the Russian Federation, the project has been extended to May 15, 2018 to enable the completion of all investment contracts and activities and ensure the full achievement of all project goals. The project has had a significant impact on the reform agenda of the participating cities, which are making efforts to study the best practices of others. The positive impacts, among others, include the elimination of social payment arrears, the preparation of municipal investment plans, increases in the percentage of multi-family
buildings managed by professional management companies, and a higher share of private companies managing communal sector facilities. The number of project beneficiaries reached 971,000 people, of which 405,000 are women. The rehabilitation of the water network under the project resulted in 96,300 piped household connections. Thanks to these and to the communications campaign carried out under the project, the customer satisfaction rating of HCS quality has improved consistently in participating cities and has reached 76 percent. Further improvements with regard to the quality of services are expected once all investment contracts are completed.

**Key Partners:** Ministry of Construction and HCS of the Russian Federation is in charge of project implementation. An Inter-Agency Working Group composed of the Ministry of Construction and HCS and representatives from the Ministries of Finance and Economic Development is responsible for strategic issues and decisions during project implementation. The St. Petersburg Foundation for Investment Projects is a noncommercial foundation that was selected on a competitive basis to act as the Project Implementation Unit for the purposes of day-to-day assistance to the Ministry of Construction and HCS in project management.
RUSSIAN FEDERATION: SECOND STATE STATISTICAL SYSTEM DEVELOPMENT PROJECT

Key Dates:
Approved: June 28, 2007
Effective: April 22, 2008
Closing: December 31, 2018

Financing in million US Dollars*:

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*As of March 2016

The Russian Federation’s development strategy implies a major increase in the demand for comprehensive, high-quality statistics to provide information for evidence-based decision making. Hence, the Federal State Statistical Service (Rosstat) faced important challenges and developed the Federal Targeted Program (FTP) for Statistics for 2007–11, envisaging the development of integrated statistical information capable of providing the timely, comprehensive, and reliable data needed in modern Russia. The program focused on collaboration with other executive federal bodies, based on the integration of all data sources on a countrywide scale, to ensure the effective use of statistics in policy making, management, and forecasting at federal and lower levels of governance. The Bank has been supporting the improvement of official statistics in Russia under several joint projects, including the first State Statistical System Development Project (STASYS), which has catalyzed the reform of primary statistical procedures and developed the main elements of a modern IT network for statistical systems in the country; and the follow-up STASYS 2 project, which aimed to roll out the process and advance the statistical methodology in specific areas of statistics, as well as upgrade the human capacities of the system in concurrence with the FTP for Statistics.

The Project Development Objective is to build a sustainable state statistical system that provides timely, coherent, and trustworthy statistical data about economic and social conditions in Russia, as required by government, business, and society to make informed decisions.

The project builds on what was achieved by STASYS and supports further improvements in the national statistical system, such as the introduction of new methods of data collection and processing according to international standards and the further development of the IT system of Rosstat tailored to modern statistical needs, including regional statistical offices. It supports the implementation of Rosstat’s plans in areas such as the generation of the statistical data needed to support, monitor, and evaluate performance management and performance-based budgeting; municipal reform; and funding for IT infrastructure investments, training facilities, and the adoption of international standards and methods. These investments will contribute to strengthening the capacity of Rosstat to generate reliable and timely data and introduce modern dissemination principles.

Results: The project is progressing well. Before its extension in June 2015, a majority of project activities had been completed. Key performance indicators are the availability of data conforming to international standards and an increase in user satisfaction. Quantifiable indicators of project outcomes include:

- An increase in the level of conformity of the main macro-aggregates such as a system of national accounts and price indices as assessed by the International Monetary Fund (IMF) Data Quality Assessment Framework (DQAF)
- An increase in the number of the Millennium Development Goal (MDG) indicators collected and processed by Rosstat
- An increase in the share of data that conform to international standards in statistical questionnaires provided to international organizations
- An increase in the number of data sets, including the micro data, in public access supported by comprehensive meta data packages
- A growth in the number of visits to the Rosstat website
- An increase in trained and retrained staff, particularly at the regional level
**RUSSIAN FEDERATION: JUDICIAL REFORM SUPPORT PROJECT**

**Key Dates:**
- **Approved:** February 15, 2007
- **Effective:** November 15, 2007
- **Closing:** December 31, 2016

**Financing in million US Dollars**:  

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*As of March 2016

The **Project Development Objective** (PDO) is to assist the Russian Federation in strengthening the judicial transparency and efficiency of selected courts through the implementation of information systems and judicial training.

The project finances information and communications technology (ICT) investments and related training for the Constitutional Court; the Supreme Court, its Judicial Department, the Moscow city courts, the commercial court system, and the Court for Intellectual Property Rights.

**Component A focuses on:**
- Institutionalizing judicial transparency and accountability;
- Conducting research and analysis on the further development of transparency, including the obligatory publication of judicial decisions;
- Developing and piloting criteria, indicators, and a policy to assess and periodically report on the effectiveness of the judicial system and related capacity building.

**Component B harnesses ICT for judicial transparency and effectiveness, by:**
- Modernizing the development and deployment of integrated information systems for courts to facilitate document flow, record management, information collection, and internal knowledge sharing;
- Improving public access to, and the availability of, judicial information through online publication of judicial decisions and other relevant information;
- More effectively linking courts, Judicial Department offices, and relevant entities/facilities through integrated information systems by enhancing the mobile capabilities of access to electronic information and video-conferencing.

**Component C focuses on strengthening human capital by:**
- IT-related education and training for judges and court personnel for all court systems and their administrations;
- Knowledge exchange, including peer-to-peer learning through seminars and workshops, for the judiciary.

**Results:** The project is rated “satisfactory” on development objectives and implementation progress, with implementation of major activities running ahead of the action plan agreed at the project restructuring. Most activities implemented by the Constitutional Court, the Supreme Court, the erstwhile Supreme Arbitration Court, and the commercial courts have been completed. Project results applicable to these entities remain strong. There is sustained high-level ownership from the leadership of these courts and from the Ministry of Economic Development (the implementing agency) and the Ministry of Finance. The project also supports another strategic priority: the impact of the constitutionally mandated merger of the Supreme Court and the Supreme Arbitration Court on judicial information systems. The merger—which was intended to avoid forum shopping, harmonize the interpretation of laws, and improve the operational efficiency of the judiciary—will likely strengthen the project’s strategic impact. The remaining activities aim to improve judicial transparency, accountability, and efficiency; they will also strengthen PDO achievement, the efficient use of loan proceeds, and the sustainability of project results and impact.
Key Partners. The implementing agency is the Ministry of Economic Development, which requested the project in 2005 as a strategic vehicle to strengthen transparency and complement Russia’s successive judicial modernization Federal Targeted Programs from 2007 with lessons and good practices from international experience. Russia’s judiciary has also been an active participant in the World Bank’s Justice Peer-Assisted Learning (JUSTPAL) Network, showcasing the modernization of its information systems.
**Key Dates:**
Approved: June 13, 2006  
Effective: April 23, 2008  
Closed: February 29, 2016

**Financing in million US Dollars**:  

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*As of March 2016

The Russian law “On State Registration of Rights and Transactions in Immovable Property” puts the responsibility to set up and manage registration systems on the subjects of the Russian Federation (the 83 republics, provinces, territories, and cities that make up the Federation) in accordance with federally established guidelines. In 2004, the Government federalized the regional registration systems, moving them into federal ownership, and introduced more standardized procedures for the operation of the system across the country. The project supported the introduction of the standardized information system and procedures across the Federation. In July 2015, the new federal Law on Real Estate Registration was adopted, which will come into force on January 1, 2017, formalizing the unification of the cadastre and registration systems.

The Project Development Objective was to improve the system of registration of legal rights to immovable property by developing standardized, clear, and more efficient registration procedures, and by introducing an improved information management system for the registration offices.

The project was designed to help support the process of reorganizing the system for registering property rights in the country and included three components:

- Institutional development of the Federal Registration Services
- Information and Communications System Development
- Improvement of Professional Skills

Results: The Government has unified registration, cadastre, and cartography under one agency, the Federal Services for Registration, Cadastre and Cartography (RosReestr), thus facilitating standardization and interaction between these services. The implementation of a Unified Information System is ongoing, providing standardized services across the Russian Federation. The provision of online and other customer services has steadily expanded with project support. The project was restructured in August 2010 and again in 2014 to cancel financing in areas where it was no longer required, extending its closing date to February 2016 to allow for the completion of two major IT packages and other remaining activities, in particular, staff training. Procurement of the Unified Information System has been finalized and fully implemented. The project development objective results have been fully achieved, including the following: time to process registration requests has been reduced from 30 to eight working days (and in some simple cases, they are processed within one day), staff registration productivity has increased from 700 to more than 1,750 registrations per staff, and client satisfaction has increased from 60 to 92 percent (based on an Internet survey on the vashkontrol.ru web portal). The project is now closed, with satisfactory ratings on all accounts. The Implementation Completion Report is under preparation.

Key Partners: The Bank team worked closely with Russia’s Federal Service for Registration, Cadastre and Cartography and its network of offices at the regional level, in collaboration with the Ministry of Economic Development.
This project came forward at a time when Russia had pursued a decade of policy reforms aimed at achieving economic stabilization and transition to a market economy. By 2002, real economic growth was accelerating after Russia’s recovery from the 1998 crisis. But progress in Russia’s regions was slower, and a major emphasis has been on decentralization of the public sector.

The Project Development Objective is to support St. Petersburg’s efforts to accelerate the implementation of key elements of its Strategic Plan, particularly by rehabilitating and restoring certain outstanding cultural monuments under federal jurisdiction and by enhancing St. Petersburg’s prospects for sustainable economic growth. This will allow it to more fully exploit its position as Russia’s “Window to the West,” mainly by enabling St. Petersburg to take greater advantage of its unique position as one of Russia’s most significant centers of arts and culture and create the basis for developing tourism as a key element of future economic growth.

The project was designed as a hybrid loan. Support included facilitating key changes to the city’s business environment through a Development Policy Loan component (DPL component, US$100.0 million); and investing in cultural heritage assets and institutions so that these could be used as a basis for developing and enhancing tourism as a key element of local economic growth (Investment Component, US$61.1 million). The Investment (Federal) component also includes a (i) subcomponent creating a Cultural Investment Facility (CIF), an innovative financing mechanism for financing and building the capacity of cultural institutions and providing competitive, demand-driven grants to the cultural institutions located in St. Petersburg, and a (ii) subcomponent on Institutional Strengthening.

Results achieved: The city’s reform program under the DPL component was successfully completed in 2007. The number of new small and medium-sized enterprises registered in St. Petersburg has more than doubled since 2002 and far exceeded the target magnitude; the number of private transactions for land and real estate is also nearly double the target value. The creditworthy status of St. Petersburg continues to be confirmed by global ratings agencies. The city continues to attract an increasing number of tourists, growing by more than 150 percent since project approval and reaching 6 million visitors per year. While St. Petersburg met all the conditions of the first tranche (US$40 million) under the DPL project component in 2006 and the second tranche (US$60 million) in 2007, the city administration decided not to draw down the money. At the request of the Borrower, the first tranche funds were reallocated from the City to the Federal component, and the second one was cancelled. Most of the reallocated funds of the first tranche came to the State Hermitage reconstruction subproject—the biggest site to be rehabilitated under the Investment (Federal) component and the most complex and largest reconstruction project currently under way in St. Petersburg.

The Investment (Federal) component is nearing completion and has leveraged a large amount of cofinancing from the Borrower, far exceeding the loan amount. All nine subprojects on the rehabilitation of cultural assets have been completed in full (Shostakovich State Academic Philharmonia, Peter and Paul Fortress, Temple of Friendship of Pavlovsk State Museum and Conservation Area, St. George Hall and Corps de Garde Pavilions of Mikhailovsky Palace of the State Russian Museum, Winter Garden of the Marble Palace of the State Russian Museum, the Turkish Bath Pavilion and the Hermitage Kitchen and Park of the State Tsarskoe Selo Museum, and the East Wing of the former General Staff building of the State Hermitage). All activities under the Cultural Investment Facility (CIF) and Institutional Strengthening subcomponents have also been successfully completed. Restoration of the nine cultural heritage assets complemented by the CIF program and Institutional Strengthening activities significantly increased the number of viable tourism assets in the city, enhanced their use and accessibility for all types of visitors, including for the physically disabled, and notably improved revenues for heritage institutions. Restoration works also created over 1,500 low-skilled jobs (2 million labor days) between 2008 and 2011. In response to a request of the Russian Federation, the Bank initiated preparation of an Additional Financing loan for the project in July 2013. To complete preparation of the Additional Financing, the St. Petersburg Economic Development Project has been extended to December 31, 2016.
**Key Partners:** St. Petersburg city government (was responsible for implementing the City [DPL] component); Ministry of Culture of the Russian Federation (responsible for implementation of the Federal [Investment] component); Inter-Ministerial Committee (led by the Ministry of Culture and composed of representatives of the Ministry of Culture, Ministry of Finance, and Ministry of Economic Development, conducts regular monitoring of project implementation, awards grants under the CIF subcomponent, and makes strategic decisions); and St. Petersburg Foundation for Investment Projects (acts as the Project Implementation Unit).