APPROVED

Prime Minister of

the Russian Federation

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**Policy Priorities of the**

**Government of the Russian Federation to 2018**

The Policy Priorities of the Government of the Russian Federation to 2018 set the objectives and key targets for the Government of the Russian Federation in the sphere of social and economic development to 2018; they were formulated in accordance with the federal constitutional law On the Government of the Russian Federation and are designed to help implement the provisions of presidential executive orders Nos. 596 – 606 of May 7, 2012 and the 2012 Presidential Address to the Federal Assembly of the Russian Federation.

The past six years were dominated by the global financial and economic crisis (2008-2009) and the ensuing recovery. As the Russian economy is highly dependent on oil and gas exports and the Russian banking and financial sectors are highly integrated with the global financial system, the Russian economy was affected by the crisis more than other developed economies. However, thanks to accumulated reserves and proactive social and economic policies, Russia successfully weathered the crisis with no impact on real individual wages and no significant increase in the unemployment rate. Economic growth rebounded in 2010-2011, with GDP growing at a rate of over 4% per year. However, not all the goals related to economic growth and restructuring were achieved during the crisis and post-crisis periods.

In the medium term, it is imperative to achieve sustained economic growth of at least 5%, carry out technological and infrastructure modernisation, upgrade social and governmental institutions to meet current challenges of global development, build a competitive and efficient economy, and ensure that Russian citizens enjoy decent living standards befitting Russia’s status as one of the leading world powers of the 21st century.

I. Challenges and conditions for socioeconomic development

The upcoming period will differ radically from the dynamic growth that preceded the crisis (2001-2007) and from the recovery in terms of both the external and internal conditions for socioeconomic development.

1. External challenges to 2018

The global economic system will be a source of uncertainty during the entire period to 2018. Three major external challenges are taking shape.

The first challenge is the strategic instability of the global economy caused by the core, unresolved issues of structural imbalances in consumption and savings, uneven economic development of different regions of the world, and regulation of financial markets and capital flows. Large fluctuations in energy and food prices are likely, and the time horizon for the resolution of eurozone debt problems remains unclear.

The balance between western and eastern centres of the global economy is changing, accompanied by increased competition on global product and capital markets. As a result, Russia has new opportunities to expand its presence in the global economy.

The second challenge concerns the new stage of technological development in the global economy that we are in, and the resulting change in industry structure, as well as the growing importance of human capital in economic growth.

Developed nations are busy building a new technological foundation for long-term growth amid the ongoing global economic instability. Many countries are pursuing fiscal consolidation while also increasing investments in innovative materials, nanotechnology, information technology, pharmaceuticals and biotechnology, microelectronics, systems engineering, and photonics. Technology in education and healthcare is being rapidly upgraded. Competition for access to the resources necessary for technological growth, including rare earth metals, is intensifying on world markets.

For Russia, accelerated technological development in priority areas is becoming a key prerequisite for achieving long-term objectives in social development and security. It will also provide a “window of opportunity” to use available scientific and technical achievements to spur economic growth.

The third challenge is the changing global energy balance. Demand for hydrocarbons will grow in the long term, primarily from the rapidly developing economies of China and other Asian countries. Many countries will wind down their nuclear power programmes. At the same time, growing development and exports of shale gas to Europe and Asia may in the long term significantly affect prices and demand for Russian energy.

2. Internal challenges and conditions for growth

The period 2013-2018 will be characterised by a number of new internal conditions that will significantly impact socioeconomic development in Russia.

First, slowing or stagnation of energy exports: In the pre-crisis period, hydrocarbon exports grew at 3%-6% per year, whereas in the period to 2018 growth will not exceed an average of 1% per year, and may even be negative occasionally. For the first time in recent years, energy exports may act as a drag on economic growth.

Second, the working-age population is projected to decline by about one million people per year in 2013-2015, significantly slowing economic growth. Negative demographic trends will be mitigated by the growing number of workers above retirement age who remain in the labour force (increasing from 9.6% of the labour force in 2011 to 10.5% in 2015) and foreign migrant workers (from 2.1% to 2.9%). This will largely offset the decline in the employable population and prevent sharp decreases in the number of employed.

Third, the growth of consumer demand will slow, demanding more balanced growth in wages and labour productivity than in previous years. Prior to the crisis, the rapid increase in consumption and real wages (by a factor of 2-3) outpaced gains in labour productivity. These figures will converge considerably in the long term. The growth of household consumption will be slower and more balanced.

Fourth, the economy’s adaptation to the terms of accession to the World Trade Organisation: Tariffs will decrease from 9.5% in 2012 by over one-third, to 5.9% in 2015. This will require measures to mitigate possible negative effects on the labour market, allowing Russian companies to become more competitive and maintain their positions on domestic and foreign markets.

Fifth, Russia’s need to reduce the non-oil-and-gas deficit of the federal budget and carry out fiscal consolidation: During the global financial crisis, budget spending was increased on anti-crisis measures. The non-oil-and-gas deficit increased accordingly. Today, it amounts to 10.5% of GDP, while a safe level is considered half of that figure. A high non-oil-and-gas budget deficit poses considerable risks to the Russian economy. At the same time, reducing the deficit will reduce government demand and economic growth.

Other internal challenges include the poor quality of the institutional environment and infrastructure, and inefficiencies and imbalances in the financial system, which reduces the competitiveness and investment appeal of the Russian economy.

Despite recent efforts, the Russian economy is still marked by an unfavourable business environment with high levels of corruption and government involvement in the economy.

These factors taken together indicate that there is essentially no potential for continued growth under the energy export model as we know it. All things being equal, economic growth will decline by a factor of 1.5-2 (falling to 2% - 3% annually) without a proactive and goal-oriented economic policy. Two to three percent GDP growth is critically low, and will not allow us to keep the economic and social components of development in balance.

Therefore, Russia must transition to a new economic growth model and activate sources of competitiveness in the Russian economy that have not been fully tapped (education level of the population, scientific and technological capacity), overcome infrastructure and institutional constraints on socioeconomic development, and achieve high labour productivity.

It is also imperative to continue expanding the role of civil society, improve cooperation among government institutions for the sake of a better business environment, and ensure effective public oversight over government activities.

II. Targets

The challenges and growth conditions that Russia faces would be best addressed by rapidly raising labour productivity to make the Russian economy more competitive. Russia must form stable and highly competitive domestic markets, increase the investment and business appeal of the Russian economy, mobilise underutilised sources of growth, sharply increase innovation-based economic growth, strengthen the country’s international position and make greater use of the advantages of international integration.

The Government of the Russian Federation, in light of these constraints and challenges, should work to rapidly and consistently improve the quality of life of Russian citizens, overcome demographic, social and environmental challenges, and ensure national security. In particular, it is imperative to achieve a 30%-40% increase in disposable income between 2013 and 2018.

Achieving these goals will require a new economic growth model.

In 2012, Russia’s per capita GDP stood at $21,000 (in terms of purchasing power parity) and will reach about $30,000 by 2018, or about 85% of the current average across eurozone countries. However, labour productivity in Russia is 2.5-3 times lower than in developed economies. Therefore, productivity gains are essential not only for a more competitive economy, but also for maintaining current consumption levels.

To realise this new growth model, it is necessary to:

increase competitiveness and labour productivity and foster the development of domestic and foreign markets;

improve the quality and availability of social services, with a focus on ensuring that people’s demands are addressed and their needs are met;

address the housing problem, primarily by expanding construction of high-quality and affordable housing, and improve the quality and reliability of home utility services;

make public administration more effective and improve the quality of public services;

ensure balanced regional development and create new economic growth centres in southern and eastern Russia.

To achieve these goals, Russia must create and maintain the necessary macroeconomic conditions for stable economic growth, including through the long-term stabilisation of taxes and spending while optimising the structure of both; mitigating inflation risks; improving the efficiency of the financial sector and of public spending and investment; completing the transition to a programme-based structure for the federal budget. Work in these and other policy areas will be carried out as part of the programme to improve the administration of public finances (federal and municipal) during the period to 2018.

Modernising the budget process and introducing administrative practices based on targets and programmes will help to:

develop the strategic planning system;

develop and implement government (municipal) programmes as a key tool to make government spending more efficient;

improve federal and municipal financial oversight.

To promote transparency in public finances, there is need to:

ensure the availability of information about current conditions and trends in public finances;

provide transparency in government activities related to developing, reviewing, approving and implementing budgets;

have legislative bodies review and approve budget parameters and budget reporting in line with the goals of government policies and their intended results;

regularly assess (monitor) the transparency of departments, Russian regions, and municipalities in the area of public finances;

ensure broad public participation in deciding how public funds are allocated.

In this regard, it is imperative to ensure that the public can exercise its right to access open government information regarding the administration of public finances.

To achieve these goals, the following actions should be taken:

government programmes should be evaluated annually for their progress and effectiveness;

government programmes and related progress reports should be subject to public scrutiny;

citizens should participate in the budget process, specifically the disclosure procedure for information related to draft regulatory acts in the sphere of financial administration and the outcomes of public discussions of such regulatory acts.

III. Priorities

1. Increasing national competitiveness and labour productivity;

facilitating the growth of domestic and foreign markets

Pursuant to Presidential Executive Order No. 596 of May 7, 2012, On Long-Term National Economic Policy, labour productivity should increase 50% by 2018 as compared with 2011, with at least 25 million new high-productivity jobs by 2020. These gains should come from greater investment in industry and its technological modernisation, promoting competition, supporting science and technology, advanced training of employed workers, creating a flexible market of skilled labour, supporting exports of manufacturing industries and promoting international integration.

Efforts to widen “bottlenecks” will be made, and transport and energy infrastructure will be expanded, including the use of pension funds and other long-term extrabudgetary sources of investment. Conditions will be created to attract private capital for the development of transport networks and energy projects, as well as housing and utilities infrastructure.

Industrial policy measures, based on government programmes of the Russian Federation, will strengthen Russia’s positions in the aerospace industry, nuclear power engineering, and aircraft- and shipbuilding.

Improving the investment climate and attracting capital

To increase labour productivity, Russia must first enhance its investment appeal. This will require a better institutional and business environment, greater macroeconomic stability and lower inflation, as well as greater access to credit. In accordance with Presidential Executive Order No. 596 of May 7, 2012, On Long-Term National Economic Policy, investment should reach 25% of GDP by 2015 and 27% of GDP by 2018, almost double the volume in 2012.

Institutional reforms will affect civil transactions and public-private partnerships, regulations of government procurement for federal and municipal needs, and administration of the National Wealth Fund.

In order to attract private capital for building and expanding infrastructure, a legal framework should be created to use deferred payments during the execution of investment projects under concession agreements.

Efforts to improve the work of development institutions, including Vnesheconombank, will continue. The prospects of the Investment Fund of the Russian Federation have been outlined.

The legal framework governing the formation of mandatory pension accounts under the new rules is nearly complete. It will guarantee the right of individuals to redirect their contributions to the funded part of the pension. The Government will significantly expand opportunities to profitably and safely invest these funds.

In order to create an international financial centre in the Russian Federation, the Government shall approve a state programme, Developing the Financial and Insurance Markets and Creating an International Financial Centre, as well as a road map, Creating an International Financial Centre and Improving the Investment Climate in the Russian Federation, designed to improve the competitiveness of the Russian financial market by forming a stable and flexible regulatory environment that encourages the creation and development of modern financial products (services) for Russian and foreign financial market participants and the establishment of high standards of corporate governance to ensure that investors’ property rights and interests are protected.

Once implemented, the state programme and the road map will spur the accelerated development of the Russian financial industry to 2020. The financial sector's assets will grow to 104 trillion roubles; the annual volume of trading on securities exchange will total 240 trillion roubles; public offerings on the domestic market (by market value) will amount to 1.8 trillion roubles; and the Russian financial market’s capitalisation will exceed 100% of GDP. Russia will then be in a position to join the top ten major international financial centres (according to Global Financial Centres Index and the Xinhua-Dow Jones International Financial Centres Development Index).

By 2018, the national business initiative will be fully implemented, significantly improving the business environment in Russia. Executing the measures detailed in Presidential Executive Order No. 596 of May 7, 2012, On Long-Term National Economic Policy, will launch Russia into the top 20 countries in the World Bank's Doing Business ratings.

The following results will be achieved by implementing the road maps drafted under the national business initiative in 2012:

in ​​the sphere of customs administration: increasing checkpoint capacity by 50%, while reducing the time it takes to clear customs by 50%;

in the sphere of improving access to energy infrastructure: cutting the number of steps involved in connecting to the grid from 10 in 2012 to 5 in 2018;

in the sphere of incorporation: reducing the number of steps it takes to incorporate a business from 9 to 3, cutting the time it takes to complete all steps from 30 to 3 days, and cutting the cost of incorporation from 6,100 to 3,000 roubles;

in the sphere of property rights registration: reducing the time of state registration of titles to real property to 10 days in 2015 and 7 days in 2018; reducing the time of cadastral registration down to 10 days in 2015 and to 5 days in 2018;

in the sphere of improving the procedures governing companies’ access to product and service markets: increasing the number of activities for which only notification is required from 36 in 2012 to 50 in 2018; completing the national accreditation system for compliance assessment and securing its international recognition by 2016.

Draft road maps will be developed to:

improve the corporate regulatory environment, expand access to bank loans and government guarantees, and increase access to heating infrastructure;

improve tax administration, labour law, protection of investors’ rights, accreditation and technical regulations, phytosanitary and veterinary supervision, as well as licensing and oversight procedures regarding the establishment and operation of hazardous manufacturing facilities;

increase the participation of small and medium-sized enterprises in procurement by infrastructure monopolies and companies with state capital, and the participation of medium-sized enterprises in government contracting under the federal contract system;

promote competition and improve anti-monopoly policies;

create a national system of competences and qualifications;

establish an effective system for cooperation between entrepreneurs and the executive branch.

Pre-trial dispute resolution (arbitration) and the rights of shareholders to obtain information about corporate activities will be expanded under the new Civil Code of the Russian Federation.

The transition to international accounting standards will be completed.

A series of measures will be required to bring transactions between Russian businesses back under Russian jurisdiction and improve the overall appeal of Russian jurisdiction for businesses.

Efforts to improve legislation designed to prevent unwarranted criminal prosecution of individuals engaged in economic activity will be seen through. Law enforcement and judicial practices should be free from one-sided assessments of economic activity as crime. Evidence of the innocence or lesser liability of indicted individuals must not be ignored.

Special measures to promote small business will be introduced, including simplified tax treatment and reporting, the ability to start a business on the basis of notification, flexible labour laws, and guaranteed access to government and municipal contracts.

These measures will boost the ratio of bank assets to GDP from 76.3% to 115%. The ratio of loans held by non-financial organisations and individuals to GDP will grow from 42.6% to 70%.

Critical measures will include:

creating funding mechanisms for major investment projects, such as project financing and infrastructure bonds, including the resources of the National Wealth Fund;

improving the performance of pension funds and other forms of collective investment through guaranteed retirement savings, improved regulation and prudential oversight;

establishing a modern risk management system in the banking sector based on Basel II and Basel III standards;

forming internationally competitive financial market institutions (exchanges and a central depository).

To encourage the modernisation of production facilities and investment, taxes on consumption will be redistributed, including excise goods (vehicles and high-end real estate).

A better business environment will create greater incentives for innovation. The share of organisations introducing technological innovations will increase to 18% by 2018 (8.9% in 2011).

The Skolkovo Innovation Centre will become fully operational.

Promoting competition

Efforts to promote competition will be coordinated under the road map, Promoting Competition and Improving Anti-Monopoly Policy, approved by Directive No. 2579-r of the Government of the Russian Federation of December 28, 2012, which outlines the systemic and industry-specific measures to be carried out in the period 2013-2015.

These measures include tasking executive branch agencies with promoting competition, reducing the share of the public sector in the economy, promoting competition in infrastructure industries including those with natural monopolies, introducing best practices to promote competition in the Russian regions, making the procurement process more competitive, using anti-monopoly regulations to make it easier to do business, and better protecting consumer rights.

The industries identified in the road map as priorities include pharmaceuticals, medical services, air transport, communications, early childhood education, and the oil industry.

Rules governing work to promote competition will be established, and a list of priority industries and systemic measures will be drawn up and regularly updated.

Supporting science and technology

Russia is in the process of creating a modern system to support science and technology, based on a long-term forecast of Russia’s scientific and technical development. In 2016 funding for research and development will total a minimum of 1.9% of GDP. At least 30 industrial parks and technology parks will be created.

Measures to support science will include:

expanding programme- and grant-based research funding;

building a network of leading universities with significant research capabilities, and creating a network of national research centres in key technological fields;

developing centres for cooperative use of modern research equipment, and participating in major international research projects;

amending legislation to create an effective intellectual property rights system, including the registration of intellectual property as an intangible asset.

Priority areas of technological development will include:

launching in 2014 two new federal targeted programmes entitled Research and Development in Priority Areas of Russia’s Science and Technology Complex, and Research and Teaching Personnel in Innovative Russia;

drafting and implementing road maps to expand the use of high-priority, innovative, cross-industry technologies in the fields of composite materials, photonics, biotechnology, information technology, urban planning, engineering, product design, and rare earth elements;

developing defence technologies through the Advanced Research Foundation;

introducing new transport, shipping and logistics technologies to improve the quality and availability of transport services;

forming innovation-oriented regional clusters in conjunction with technology platforms and programmes to spur innovation at companies with state capital;

forming global competence centres in manufacturing, knowledge services and other sectors of the economy;

forming a system to promote innovative businesses, and research and development.

Goals for high-tech sectors include:

modernising the aircraft industry, promoting research and development, and improving sales of aviation equipment to increase the industry’s revenues by 150% by 2018 relative to 2011; supplying more than 230 aircraft and 400 helicopters on foreign and domestic markets (a 130% and 60% increase relative to 2011, respectively);

developing production techniques required to manufacture competitive maritime and river equipment; strengthening and promoting the scientific, engineering and manufacturing capabilities of the shipbuilding industry to achieve a 140% increase in sales of civilian equipment made by the Russian shipbuilding industry by 2018 relative to 2011; and ensuring the execution of the state defence order and the state arms procurement programme;

boosting research and development capacity in promising electronic and radio-electronic technologies; creating an R&D and manufacturing base to produce competitive radio-electronic products; and supporting the manufacture of radio-electronics for critical weapons, as well as military and special equipment. Domestic production of high-tech radio-electronics will increase by over 130% by 2018 in today’s prices relative to 2011, and the share of domestically manufactured electronic products on the Russian market will grow by 25% in priority sectors;

creating a modern pharmaceutical industry that meets international standards; forming a research base to help double the consumption of domestic medicines by the healthcare system of the Russian Federation, from 25% of all medicines used to 50%;

creating a new generation of nuclear power production technology (at least 16 new technologies by 2018);

creating the necessary research, technical and technological conditions for implementing major space exploration projects, including completion of the

first stage of the Vostochny Cosmodrome, the formation of a new space transport system, and a new generation of GLONASS satellites and Earth remote sensing;

creating the necessary conditions to expand production and consumption of composite materials, including the development of R&D coordination mechanisms; creating an integrated engineering infrastructure for developing and testing composite materials;

accelerating the development of the IT sector and engineering.

Among the priorities in the extractive industry is the introduction of new environmentally responsible production methods, which will result in fewer irrecoverable losses.

The oil and gas industry will reach new frontiers as it transitions to the development of offshore fields and hard-to-recover hydrocarbon reserves, relying on the industry’s best practices.

Energy infrastructure warrants special attention. Russia must facilitate the modernisation of heating sources and networks. The time it takes for consumers to connect to the grid will fall to 40 days by 2018 (for those with a connection capacity up to 150 kW).

Russia’s strategic goal is to turn the research, technical production and technological capabilities of the defence industry into a resource for innovation, ensuring national defence and security through accelerated technological modernisation, exploitation of the industry’s competitive advantages and development of its human capital.

It is imperative to spend federal funds more efficiently. This can be achieved, in part, by introducing appropriate mechanisms to finance state programmes in the defence industry and the federal targeted programme Development of the Defence Industry of the Russian Federation in 2011-2020, taking into account the results for the period 2012-2014 of the Key Government Policies for the Development of the Defence Industry of the Russian Federation to 2020 and Beyond.

By 2018, about 90% of production techniques for competitive military products will be developed and implemented as a result of government policy in the defence industry. The defence industry’s level of industrial and technological readiness for the production of armaments, military and special equipment, in line with the 2011-2020 State Arms Programme, will stand at 90%-95%. Exports of military products will grow by 5% annually.

Pursuant to Executive Order of the President of the Russian Federation No. 603 of May 7, 2012, On Implementing Plans (Programmes) for Building and Developing the Armed Forces of the Russian Federation, Other Forces, Military Formations and Bodies, and Modernising the Defence Industry, the Russian Government will ensure that the Armed Forces the Russian Federation, other forces, military formations and bodies are equipped with modern weapons, and other military and special equipment, bringing their share of the total to 70% by 2020.

Special attention will go to breakthrough-oriented advanced R&D, basic research and applied research programmes that promote national security.

Expanding transport infrastructure

Investment projects and other measures related to ​​transport infrastructure that are included in the state programme, Expanding the Transport System, will be implemented, including the federal targeted programme, Promoting Russia’s Transport System (2010-2015), and other federal programmes designed to increase the capacity of the most congested parts of the transport network and to bring transport infrastructure up to code to ensure safety.

Priorities will include regional aviation, building and repairing public roads (including as part of plans to expand metropolitan areas and improve transport links), expanding the highway network through public-private partnerships, and high-speed rail projects. Road construction should double over the next 10 years as a result.

By improving access to transport services, by 2018 the transport mobility of the population will increase 40% and exports of transport services will grow 80%.

Goals include:

comprehensive development of major transport hubs located along international transport corridors, such as Moscow, St Petersburg, Kazan, Samara, Nizhny Novgorod, Yekaterinburg, Novosibirsk, Krasnoyarsk, Khabarovsk, Vladivostok, Mineralnye Vody, Krasnodar (Azov-Black Sea hub) and Rostov, as well as transport and logistics centres;

increased transshipment capacity at Russian sea ports, such as Murmansk, Ust-Luga, Vostochny, Vaninsko-Sovgavansky transport hub, Novorossiisk, Primorsk, Taman, and Olya, as well as the creation of new transshipment terminals in the Russian Far East and the expansion of the Northern Sea Route.

The following measures will be taken in road construction:

revise the rules and regulations governing design and estimate work, pricing and state expert evaluations of road construction in accordance with the practices of OECD member countries ;

organise expert and public oversight during the planning of construction and repairs of roads and associated facilities, as well as expert evaluations of technical solutions and the cost and quality of road works;

expand the use of concession agreements and similar forms of agreements, in accordance with international practice.

The following measures will be taken to promote rail transport:

increase the capacity of the railway lines, including the Baikal-Amur Railway and the Trans-Siberian Railway, and eliminatе the worst bottlenecks in Russia’s railway infrastructure;

support the construction of railway tracks in newly developed areas;

transition to long-term tariff setting.

Developing communications and information technology

The following measures will be taken to address Russia’s “digital disparity” in the sphere of communications and information technology:

launch digital broadcasting throughout Russia by 2015;

expand broadband internet access using various types of hard-wired and wireless connections;

accelerate the conversion to radio frequency;

adhere to the principle of “technological neutrality” in the regulation of telecommunications.

Postal services will be expanded, and mechanisms will be introduced to ensure more efficient cooperation between everyone involved in mail delivery. Services will be improved and made available across Russia. The use of electronic information and electronic commerce will be expanded as well.

Expanding the agriculture sector

Federal policy priorities in the agriculture sector are set forth in the state programme Developing Agriculture and Regulating Agricultural Products, Raw Materials and Food Markets, 2013-2020, which provides for the sector’s comprehensive development in view of Russia's accession to the WTO.

The following steps must be taken to sustain the stable development of the Russian agriculture sector:

incentivise production of the main types of agricultural products and foods to ensure Russia’s food independence, as defined in the Food Security Doctrine of the Russian Federation;

improve the competitiveness of Russian products on the domestic market and foreign markets now that Russia belongs to the WTO;

promote technological modernisation of manufacturing processes and innovation-driven development of agriculture, develop biotechnology;

support small farms and cooperatives in rural areas;

increase profitability to ensure the sector’s stable development;

support the expansion of agriculture and food market infrastructure;

improve the regulation of markets for agricultural products, raw materials and food;

ensure the effective operation of government authorities in agriculture and the regulation of agricultural products, raw materials and food markets;

enhance well-being and quality of life by supporting affordable housing and comfortable living in rural areas, and rural employment;

create the necessary conditions for the efficient use of agricultural land;

promote agricultural land reclamation.

Agricultural output will grow annually by at least 2.4%-2.5% on average between 2013 and 2018, food production by 3.5%-5%, and investments in fixed agricultural assets by 4.2%-4.5%.

By 2018, Russia will produce 99.6 % of the grain needed by the domestic market, 88% of beet sugar, 86% of vegetable oil, 98% of potatoes, 86% of meat and meat products, and 85 % of milk and dairy products.

Promoting vocational training

and expanding the skilled labour market

Upgrading the higher education system is a prerequisite for improving national competitiveness and labour productivity.

By 2018, two Russian higher education institutions will join the world’s top 100, rising to five by 2020. Scientific research conducted by universities will expand, as will access to advanced training and retraining for new careers.

In order to improve the quality of vocational training, modern higher and continuing education programmes will be introduced that meet the current demands of the economy and society. The share of graduates who find employment in their field within one year of graduating will increase from 40% in 2011 to 55.6% in 2018.

Policy priorities of the Government of the Russian Federation in this area include:

restructuring Russia’s network of higher education institutions, and reorganising higher education institutions that are out of touch with the labour market and do not conduct scientific research;

supporting projects to modernise distance education, including major open universities;

completing the transition to per capita funding of higher education programmes;

transitioning to an effective contract system. The average salary of primary and secondary vocational school teachers will equal the average salary of a region. Salaries of higher vocational school teachers (professional university faculty) will be 200% of the average salary in each region;

raising financing standards for higher education programmes in engineering, medical and natural sciences;

launching the Global Education programme to have at least 3,000 students educated abroad by 2015;

training up to 30% of university students in applied baccalaureate programmes;

establishing multifunctional applied-skill centres to provide training to people who finished secondary school;

forming an independent vocational training evaluation system;

expanding the participation of businesses in managing and funding higher education institutions.

Lifelong education will be a priority in the years to come. People aged 25-65 enrolled in further professional education programmes will increase from 22% in 2011 to 49% in 2018. Corporate training organisations will enjoy continued support, and primary vocational schools will become part of the corporate training system.

The following is necessary to foster an efficient and flexible market of skilled labour:

updating educational requirements for employees so that they meet modern labour market standards, which will include developing 800 professional standards for popular occupations in 2013-2014;

creating a methodological centre for vocational training, professional development and advanced training;

taking measures to encourage immigration of highly skilled workers and professionals in high demand on the Russian labour market;

offering residence permits to foreign entrepreneurs, investors, highly skilled professionals and foreign graduates of Russian institutions of higher education and vocational training.

Supporting exports of high-tech products and services

Efforts will continue to form an effective support system for exports of high value-added products and services. The range of financial products offered by government institutions that support exports will be expanded. As a result, non-energy exports will increase by 60%-70% in 2018 as compared with 2012.

A competitive environment for providing financial products and services to exporters and consumers of Russian high-tech products will be put in place. An export insurance system and a network for promoting products and services on foreign markets will be established. The share of exports backed by state guarantees and insurance in general non-energy exports will increase from 0.5% in 2011 to 13% in 2018.

Promoting international integration

The continued integration of Russia into the global economy is a key prerequisite for transitioning to a new growth model.

Progress will be made in all major areas of integration: Eurasian integration, including the expansion of the Customs Union and the Common Economic Space, as well as European and Asian integration. Integration in the Customs Union and the Common Economic Space will open up new markets for Russian manufacturers and foster a genuinely competitive environment.

Russia must use the advantages of integration and greater free trade in the Commonwealth of Independent States to increase the CIS countries’ share in Russia’s overall foreign trade to over 20%, and in Russia’s foreign direct investment to over 10%. Trade in non-energy products between member countries of the Customs Union will grow by 80%-90% in monetary terms.

The following activities will be critical in this area:

forming the Eurasian Economic Union, including the signing of an appropriate international treaty;

codifying international treaties that make up the regulatory framework of the Customs Union and the Common Economic Space, and establishing the Arbitration Court of the Customs Union;

ensuring the effective functioning of the CIS free trade zone, with liberalisation gradually spreading to trade in services;

developing common markets for individual products, primarily agricultural, in the CIS;

creating effective payment and settlement mechanisms in the CIS, and making broader use of the securities market for capital flows between countries.

Stronger cooperation with the European Union, WTO membership and future accession to the OECD are consistent with the goals of modernising Russia’s legislation, technology, institutions and infrastructure. Stepping up cooperation in the Asia-Pacific region is important from the standpoint of accelerating the development of Eastern Siberia and the Russian Far East, which, by virtue of their geographical location, cannot be limited to the domestic market alone.

Addressing these diverse challenges will require a harmonised approach, coordination and reciprocity. Exploiting Russia’s competitive advantages in tandem with partners’ capacities at different stages of the production process will help to establish global value-added chains.

2. Improving the quality and accessibility of social services

Russia must dramatically improve the quality of its social institutions, particularly those related to social security, healthcare and education, and to bring the quality of their services in line with European standards.

This will require transitioning to an effective contract system – labour contracts with social service personnel that include provisions on performance criteria and bonuses based on results and the quality of federal (municipal) services provided. Efforts will be made to raise the prestige of social service work and to promote competition for budget funding in this sphere. The quality and accessibility of public sector services will improve.

Salaries of school teachers, extracurricular instructors, social service workers, and nurses and other mid-level medical personnel will equal the average salary in each region, while university faculty, researchers and doctors will earn twice each region’s average. Compensation for heads of federal and municipal institutions will be tied to their performance and to the average salary of their staff.

To involve NGOs in the provision of social services, including through public-private partnerships, an independent evaluation system will be put in place for organisations that provide social services, public rankings will be introduced, and the number of services provided by socially-oriented non-profit organisations will increase substantially.

Charitable activities, volunteerism, and social entrepreneurship will be supported on a consistent basis.

To improve Russia’s demographic situation, efforts will be made to reduce the mortality rate, significantly lower the incidence of socially significant diseases, and increase the birth rate.

Projected life expectancy at birth will reach 74 years by 2018.

Additional steps must be taken to encourage families to have a second and third child.

In healthcare, conditions must be created to protect and maintain the health of every individual and to support long and active lives. Achieving this goal requires a focus on healthy living, preventive care, proper diagnosis and treatment of diseases using modern medical technology, high-quality and effective medicines and medical products, as well as programmes to reduce the number of hazardous jobs.

Conditions will be created to promote regular physical activity and participation in sports, as well as to make Russian athletes more competitive at the international level. The number of sports facilities will increase by at least 50% by 2018. Progress in these directions will be aided by the construction of new infrastructure for international and socially significant athletic and sporting events to be held in Russia, especially the 27th World Summer Student Games in 2013, the 22nd Winter Olympic Games and the 11th Paralympic Winter Games in 2014, and the 2018 World Cup.

Measures to promote healthy living will help reduce alcohol consumption by 20% and tobacco by 25%.

The following priority measures will be taken to modernise healthcare:

improving the mandatory health insurance system, which will ensure patients’ right to choose their doctor, clinic and insurance provider;

expanding the number of outpatient clinics, re-equipping them and introducing hospital-grade technologies;

providing advanced training, certification and accreditation of healthcare professionals and incentivising continuous professional development as part of the transition to the effective contract system;

creating a unified federal information system, introducing an electronic doctor’s appointment system and a standard electronic card, and developing telemedicine;

promoting public-private partnerships; attracting private capital to expand healthcare infrastructure;

improving emergency medical care in remote and inaccessible areas using air ambulances and other modes of transport.

Measures will be taken to reduce infant mortality, particularly in regions with high rates. Russia’s network of perinatal centres will continue to expand, and maternity wards and children's hospitals will be provided with the latest equipment.

The quality and accessibility of preschool, general and extracurricular education will be improved for all families regardless of where they live or their income level.

Conditions for children’s creative and athletic development will be improved. Kindergarten waiting lists will be phased out by 2018, and demand for preschool education services for children aged 3 to 7 will be fully met. Access to extracurricular educational opportunities will rise to 71% for children between the ages of 5 and 18 by 2018. Russia will maintain its leading position in Progress in International Reading Literacy Study (PIRLS), and improve its positions in the TIMSS and PISA international comparative studies.

The following priorities will be addressed in the area of ​​education modernisation:

introducing federal standards for general education and modern educational programmes that provide for students’ well-rounded development;

updating educational content and methods in foreign language and natural science instruction; leading the world in mathematics and natural science instruction;

completing the transition to specialised, career-oriented education for high school students, with a focus on in-depth study of relevant subjects;

forming a national system to identify and support gifted students; creating career-specific classes at leading universities for gifted secondary school students;

renovating existing kindergartens and building new ones; developing alternative, private forms of preschool education;

modernising the teacher training and professional development system, incentivising teachers to improve their performance and participate in continuous professional development as part of the transition to an effective contract system, and cutting teachers’ reporting paperwork in half;

promoting best educational practices among general education institutions.

Access to distance education in the Russian language for foreign nationals will be expanded, Russian schools abroad will be supported, and a system of international school competitions in the Russian language will be established.

Pension reform will be carried out to increase pensions in line with available sources of funding. Pensions will grow in real terms by 20%-28% in 2018 relative to 2012. The average retirement pension will be at least double the minimum accepted income level for a pensioner by 2018.

Pension reform will result in the following:

employees will be able to direct 4% of premiums within the mandatory pension system to the funded part of their pension (including after January 1, 2014);

retirement pensions will be linked to length of employment;

larger pensions for employees who choose to defer retirement benefits upon reaching eligibility age;

additional premiums to fund early retirement benefits for workers in hazardous occupations;

self-employed individuals will have the right to choose their level of coverage and their corresponding pension rights;

more secure long-term retirement savings and stronger oversight of collective investment firms that manage these savings;

incentives to generate additional retirement savings in corporate and private pension systems in order to increase the size of pensions.

Social obligations and social support systems will be upgraded and made fairer and more flexible. Modern rehabilitation services will be provided for disabled people to facilitate their return to the workforce. An accessible environment will be created, including specially designed workspaces, and modern devices and prostheses will be provided to expand employment opportunities for disabled people.

Families with three or more children will receive government support, including new monthly benefits from regional governments and better housing conditions. New measures will be introduced to help parents and guardians balance family and work obligations, and professional training (retraining) will be provided for new mothers during their guaranteed three-year maternity leave.

Measures to prevent family hardship, abandonment at birth and abrogation of parental rights, and to support foster care will reduce the number of children without parental care by more than half by 2018. Eighty-three percent of orphans and children without parental care will be placed with foster families by 2018.

Programmes to support employment and social services for older people, as well as elderly care, will be expanded.

To improve environmental conditions, emissions from stationary sources will be reduced from 0.41 tonnes per million roubles of GDP in 2011 to 0.31 tonnes per million roubles of GDP in 2018. Priority environmental measures include:

creating a modern environmental regulatory system to reduce average emissions of certain pollutants and the generation of waste;

phasing out the disposal of waste that has not been sorted or mechanically and chemically treated, or waste that can be recycled;

building a system to incentivise companies to reduce and recycle waste;

applying environmental requirements and standards when placing orders for goods, works and services for federal and municipal needs (green procurement);

cleaning up past environmental damage;

expanding specially protected natural areas.

The following priorities will be addressed in the cultural sphere:

raising the average salary of employees of cultural institutions to the average in each region by 2018; ensuring that raises are based on qualifications and merit;

popularising reading among children and young adults;

increasing the number of children enrolled in extracurricular art classes;

creating and broadcasting programmes on classical music, theatre, visual arts, architecture, literature and history on national television and radio, including broadcasts targeted at pre-teen and teen audiences;

providing high-quality information on the kultura.rf web portal, which promotes Russia’s cultural heritage, and using this website to provide internet users with free access to films and plays by prominent Russian stage and film directors and workshops by renowned figures in culture and the arts, as well as to websites of museums and libraries;

expanding scholarship programmes for young Russians involved in culture and the arts, with the number of scholarships reaching 4,000 by 2015;

creating multifunctional centres for cultural development in small and medium-sized towns with the help of modern telecommunications;

promoting public-private partnerships to preserve historical and cultural heritage and attract investment in the construction of cultural facilities and tourism infrastructure.

3.  Affordable and high-quality

housing and utility services

The Government must resolve the country’s housing problem, which affects a majority of Russian citizens, and make life in urban and rural areas significantly more comfortable.

The vast majority of Russian families will have access to affordable, high-quality housing by 2018. In accordance with Executive Order of the President of the Russian Federation No. 600 of May 7, 2012, On Measures to Provide Citizens of the Russian Federation with Affordable and Comfortable Housing and Improve the Quality of Housing and Utility Services, by 2018 the average mortgage interest rate should be about 6.3%-7.1%, exceeding CPI by no more than 2.2 percentage points, and 80-110 million square metres of new housing will be built a year.

The following measures will be taken to support demand for housing among qualified borrowers:

setting up a mortgage lending system that is accessible to a majority of Russian citizens;

developing the housing rental market;

supporting housing construction cooperatives;

relocating people from blocks of flats that have been officially designated as of January 1, 2012 as structurally unsound and that are subject to demolition or repair due to wear and tear;

implementing programmes to address the housing problems of young families, families with three or more children, and public sector employees (teachers, doctors, and young researchers);

fully implementing programmes to provide permanent and service housing for members of the Armed Forces.

The following measures will be taken to increase supply on the housing market:

allowing commercial use of federally-owned land with the participation of the Federal Housing Development Fund;

creating an effective mechanism to equip land plots with utility infrastructure, including through public-private partnerships and project-based financing;

facilitating programmes to build economy-class housing and supporting the construction materials industry;

updating building standards and codes;

reducing the number of steps required to obtain a building permit from 51 in 2012 to 11 in 2018, and cutting the time needed to obtain a permit from 423 days in 2012 to 56 days in 2018.

It is critically important to improve the quality of public utilities. Russian citizens should enjoy full access to utilities at affordable prices. The Russian Government will focus on building an appropriate legal framework and establishing oversight and regulatory mechanisms in this area.

Necessary measures include:

establishing standards and rules for managing blocks of flats;

strengthening public housing oversight;

introducing reliability, quality and energy efficiency targets for utility services;

promoting competition in utilities management systems.

These measures will provide the foundation for the formation of a civilised public utility sector, as well as create benchmarks for determining key quality criteria for utility services and define who is responsible for ensuring they are met.

4. Improving public administration and public services

Public administration

Modern tools for developing and implementing government policies will be introduced. By 2014, key tools recommended by the OECD to improve the quality of public administration and regulatory policies will be in place. A federal contract system will be set up – a unified system for drawing up, placing and executing government contracts, which will help ensure that the state meets its obligations. The contract system will also promote adequate quality of goods, works and services, efficient use of resources, reliable management of technological and economic risks, and a significant reduction in public sector corruption.

The privatisation programme will be fully implemented. Most federal state unitary enterprises will be reorganised as joint-stock companies or, in rare cases, as state-owned entities. An effective accounting system tracking the availability and use of state property will be established, as will an innovative system to manage state-owned real assets. As a result, the number of joint-stock companies with state participation will decline considerably.

These measures will help streamline the composition and structure of state property, promote stable economic growth, boost competitiveness and the investment appeal of companies with state participation, as well as improve state asset management by reining in public sector sprawl in the economy.

Creating an optimal structure for Russia’s public property will reduce the financial burden of maintaining facilities that are not used by the state to perform its functions or to advance strategic priorities; expand the material base of the private sector of the economy; and reduce excessive administrative barriers and other restrictions.

Measures to make federal authorities more effective will include:

introducing a regulatory impact assessment system for draft laws in the early stages of the legislative process;

fully implementing e-government technology;

introducing innovative approaches to personnel policy in the civil service, improving the civil service compensation system, and developing a competitive system for filling vacancies in federal agencies;

introducing modern principles in the work of oversight bodies, including public reporting of the results of audits and streamlining the use of resources required for such audits;

launching a strategic planning system that, among other things, coordinates socioeconomic development and fiscal policy priorities during the formation and implementation of government programmes.

Open government mechanisms will be introduced, including public councils at federal executive bodies, in order to improve public services, the transparency and quality of government work, civic oversight of the government, and procedures governing the adoption and implementation of decisions by government authorities.

The reasoning behind the actions of government authorities will be made transparent and clear. An online system to disclose information collected for purposes of public administration will be created, including a significant increase in the amount of open data that is freely available to citizens, society and businesses. Open data, regulations and rules underlying relations between the state and society will form the foundation of social relations. The Russian civic initiative toolkit will become operational. A network of socially-oriented non-profit organisations will be created, and the scope of public-private partnerships in the social and economic spheres will expand.

Special attention will be paid to promoting a competitive environment and improving quality of life.

An effective anti-corruption system will be created. Efforts to fight corruption, improve the quality of public administration and promote openness will involve:

facilitating public oversight of government spending and investment;

setting up a public oversight mechanism to evaluate the work of government authorities;

improving oversight and regulatory functions.

The Expert Council under the Government of the Russian Federation will provide a comprehensive and balanced assessment of decisions discussed by the Government at early stages.

Public services

Public services centres, operating under the one-stop shop model, will be created in each city district and municipality. At least 90% of the population will have access to public services through one-stop shop centres. The waiting time will be under 15 minutes by 2014.

The transition to providing public services electronically will be completed. At least 70% of citizens will use federal and municipal services electronically by 2018.

A system allowing citizens to evaluate the quality of government services will be introduced, which will be used as the basis for a second system to evaluate the performance of federal and municipal authorities. In accordance with Presidential Executive Order No. 601 of May 7, 2012, On Key Policies to Improve Public Administration, the percentage of citizens expressing satisfaction with the quality of federal and municipal services must reach at least 90% by 2018.

5. Promoting balanced regional growth

New centres of socioeconomic development will emerge as a result of investment projects implemented in the period to 2018.

Comprehensive investment plans designed to diversify and develop the economies of single-industry towns will continue, resulting in 350,000 new jobs in such towns by 2018.

The transport network will be expanded to ensure high levels of inter-regional integration and territorial mobility.

As part of efforts to improve inter-budgetary relations, competition between Russian regions will be promoted to spur economic growth. Measures will be taken to reduce the deficits of regional and local budgets and promote the growth of local revenue sources in regions and municipalities, including by allowing the regions to levy real estate taxes based on cadastral values beginning in 2014.

To improve financial support for the regions and to balance their budgets, clear principles for the allocation of budget subsidies to Russian regions will be established.

Financial support must be made more stimulative in order to boost socioeconomic development in the regions.

Greater support for municipal authorities will be a priority policy of the Government of the Russian Federation. The revenue base of local budgets will rise by at least 7% through taxes transferred from other levels of the budget system.

Conditions will be created to accelerate economic growth in the Russian Far East, southern Russia and the Kaliningrad Region.

New jobs will be created in the Russian Far East and the Baikal region; the existing workforce will be retained and new workers will be brought in; modern transport and energy infrastructure will be built; and both regions will integrate into the economic system of the Asia-Pacific region. High-tech centres for the aircraft, automotive, and shipbuilding and ship repairing industries will be created. Major investment projects related to extraction and processing of minerals, aquatic biological resources and mariculture will be implemented.

At least 10 major investment projects will be implemented with the participation of the Russian Far East and the Baikal Region Development Fund.

Conditions will be created in the North Caucasus to attract investment and create jobs, as well as to modernise and expand social infrastructure. Tourism and recreation clusters will expand as Sochi prepares for the 22nd Winter Olympic Games and 11th Paralympic Winter Games 2014. Major projects will be carried out in agriculture and the food industry, as well as in light industry, transport and construction.

Integration with the emerging markets of the Baltic states and the European Union will boost the economy of the Kaliningrad Region. The region’s economy will be diversified through the development of the automobile cluster, the tourism and recreation complex and the amber industry. The settlement system and infrastructure in the regions will improve.

New innovation-driven centres of economic growth (prospective clusters) will be created in the Volga area, the Urals and remote Russian regions.

The policy priorities of the Government of the Russian Federation for the period to 2018 should provide comprehensive solutions to issues of economic, social and institutional development, paving the way for innovation-driven economic growth. Coordinated implementation of the outlined measures is necessary to achieve these goals. A dramatic increase in the transparency of the Government of the Russian Federation and its active cooperation with various political, social and business organisations and experts should also aid in the implementation of these measures.

Government programmes will be the key mechanism for achieving the Government’s objectives and priorities in the sphere of socioeconomic development in the period to 2018.

Progress on the policy priorities outlined by the Government of the Russian Federation for the period to 2018 will help the country overcome limitations on socioeconomic development and support the growing prosperity of the Russian people.

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